

January 30, 2004
Program Disclosure Statement and Account Agreement



Sponsored by the State of Alabama
Managed by Van Kampen Asset Management Inc.
Distributed by Van Kampen Funds Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Program Disclosure Statement or the current Supplement to the Program Disclosure Statement. Any representation to the contrary is a criminal offense.



VAN KAMPEN
INVESTMENTS
Generations of ExperienceSM

The Higher Education 529 Fund Program Disclosure Statement



January 30, 2004

This Higher Education 529 Fund Program Disclosure Statement (this “Program Disclosure Statement”) and the current Supplement to the Program Disclosure Statement (the “Supplement”) contain important information that you should consider before you invest in the Higher Education 529 Fund (the “Program”), including information about risks. Please read them before you invest and keep them for future reference. It is intended that the Program will qualify for treatment as a Qualified Tuition Program (as defined below) under Section 529 of the Internal Revenue Code of 1986 and the regulations promulgated thereunder, as amended from time to time. Unless the context otherwise requires, capitalized terms used in this Program Disclosure Statement and the Account Agreement shall have the meanings given to them under the heading “Definitions.”

Account Owners should rely only on the information contained in this Program Disclosure Statement and the current Supplement. No one is authorized to provide information that is different from the information contained in this Program Disclosure Statement or the current Supplement. Information in this Program Disclosure Statement and the current Supplement is believed to be accurate as of its date and is subject to change without notice. Each Supplement supersedes and replaces any earlier dated Supplement.

Participation in the Program entails investment risk. You could lose money (including amounts contributed to your Account), or not make money, if you participate in the Program. The value of an Account may decrease based on the investment performance of the Underlying Fund(s) for the Portfolio to which the Account is assigned. As a result, the value of an Account may be less than the Contributions credited to the Account. The Accounts, amounts contributed to an Account, the investment return, if any, on an Account, and the future value of an Account and investments under the Program are not deposits of any bank or other insured depository institution, and are not debt obligations of, or insured or guaranteed by the FDIC, the State of Alabama, the Board, the Treasurer, the Program Trust Fund, any other state or federal governmental agency, the Manager, Van Kampen Funds, Van Kampen Investment Advisory, Van Kampen Investor Services, BFDS, State Street, or any of their affiliates, any agent or representative retained in connection with the Program, any other person, or any depository institution. None of these entities or persons has any legal or moral obligation to ensure the ultimate payout of any or all of the amount of any Contribution to an Account or that there will be any investment return, or a particular investment return, with respect to any Account.

Table of Contents

Summary	1
Definitions	4
The Program Trust Fund and the Portfolios	9
Program Risk Factors and Special Considerations	18
Fees and Expenses Paid By Underlying Funds	22
Program-Level Fees and Expenses: Establishing Accounts Through	
Financial Advisors	23
Program-Level Fees and Expenses: Direct Participation by Alabama Residents	32
Establishing an Account	34
Contributions	36
Maintenance of Accounts	39
Distributions and Distribution Procedures	42
Tax Matters	44
Exemptions from Registration Under Applicable Securities Laws	50
The Services Agreement	51
Miscellaneous	52
Appendix I	I-1
Description of the Underlying Funds	I-1
Investment Performance of the Underlying Funds	I-10
The Underlying Funds — Risk Factors and Special Considerations	I-11
More Information About the Underlying Funds	I-17
Account Agreement	AA-1

Summary

Set forth below is a summary of certain features of the Program. This summary is qualified in all respects by the more detailed information contained in this Program Disclosure Statement.

Purpose. The Higher Education 529 Fund was established by the State under the Act to allow natural persons who are at least 19 years of age and citizens or residents of the United States and certain organizations to fund the Qualified Higher Education Expenses of a Designated Beneficiary at an Eligible Educational Institution. The term Eligible Educational Institution generally includes most community colleges, public and private four-year colleges, universities, graduate and postgraduate programs, and certain proprietary and vocational schools. The term Qualified Higher Education Expenses generally includes tuition, required fees, books, supplies, and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Educational Institution and the cost of room and board (subject to certain limits).

The Board, the Treasurer, and the Manager. Under the Act, the Board oversees the administration of the Program and its members act as the trustees of the Program Trust Fund. The Board has delegated day-to-day administration of the Program to the Treasurer. Under the Act, the Board is authorized to employ private sector firms to provide investment management, accounting, and recordkeeping services for the Program, to offer and sell Accounts, Account Agreements, and interests in Portfolios denominated in Units, to process Program-related forms, and to provide other services relating to the Program. The Board has selected Van Kampen to act as the Manager of the Program pursuant to the Services Agreement. See “The Services Agreement.”

The Program Trust Fund and the Portfolios. The Program Trust Fund holds the assets of the Program. These assets are derived from Contributions to Accounts, less any sales charges, fees, or expenses, and the earnings thereon, if any. The Program’s investment alternatives are made available through Portfolios. Each Portfolio represents a separate, segregated portfolio of investments.

You may select from among the three different types of investment options described below:

- *Fixed Portfolio Option* — The asset allocation by investment sector and Underlying Funds for each Fixed Portfolio will not change over time based upon the number of Years to Enrollment for the Designated Beneficiary.
- *Years to Enrollment Portfolio Option* — The asset allocation by investment sector and Underlying Funds for a Years to Enrollment Portfolio depend upon the number of Years to Enrollment and the investment style for that Years to Enrollment Portfolio. In general, as the number of Years to Enrollment for the Designated Beneficiary of an Account decreases, the Account will be automatically reassigned to a different Portfolio as described in this Program Disclosure Statement.
- *Individual Fund Portfolio Option* — The assets of each Individual Fund Portfolio are invested entirely in a single Underlying Fund, which will not change unless the Board takes action to change it. Account Owners may select more than one Individual Fund Portfolio to construct their own asset allocation by investment sector for their Accounts.

Accounts will be assigned to the Portfolio(s) initially selected by the Account Owner on the appropriate form. An Account Owner may cause as many separate Accounts to be established for the same Designated Beneficiary as there are Portfolios that, in the discretion of the Account Owner, are appropriate for that Designated Beneficiary.

For each Fixed Portfolio and each Years to Enrollment Portfolio, the Manager recommends to the Board and the Board approves: (a) a percentage asset allocation by investment sector and (b) specific Underlying Funds that are consistent with the asset allocation by investment sector. For each Individual Fund Portfolio the Manager recommends to the Board and the Board approves the specific Underlying Fund that is used. Contributions to an Account, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be used by the Manager to purchase: (a) in the case of a Fixed Portfolio or a Years to Enrollment Portfolio, shares of the Underlying Funds in accordance with the asset allocation for the Portfolio to which the Account is assigned, and (b) in the case of an Individual Fund Portfolio, shares of the Underlying Fund for that Individual Fund Portfolio.

Establishing an Account. To establish an Account on behalf of a Designated Beneficiary, a prospective Account Owner must: (a) submit a completed Enrollment Form to the Manager, and (b)(i) submit, or cause to be submitted, an initial Contribution to the Account being established that satisfies the applicable minimum initial Contribution requirement, or (ii) authorize an Automatic Investment Plan, Automatic Payroll Deduction Plan (for eligible Account Owners only), or Systematic Exchange Plan for the Account being established in an amount that satisfies applicable requirements.

On the Enrollment Form, an Account Owner also may be required to provide certain information, including the name, address, citizenship or residency status, social security (or tax identification) number, and date of birth of the Account Owner and the Designated Beneficiary, and such other information as the Board or the Manager may require from time to time. An Account Owner may establish multiple Accounts on behalf of a single Designated Beneficiary by using a single Enrollment Form.

By completing and signing the Enrollment Form, the Account Owner:

- acknowledges that the Account Owner has received and read this Program Disclosure Statement and the current Supplement;
- agrees to be bound by the Account Agreement, the Act, and the Rules with respect to each Account established by such Account Owner.

Account Owners and Designated Beneficiaries. If the Account Owner is a natural person, the Account Owner must be a citizen or a resident of the United States and must be at least 19 years old. The Account Owner is not required to be an Alabama resident. A state or local government within the United States, a corporation, a trust that is validly existing under the laws of any state or the District of Columbia, or an estate (other than a foreign estate) also may be an Account Owner.

The Designated Beneficiary may be the Account Owner or any other natural person. The Account Owner and Designated Beneficiary are not required to be related to one another. The Designated Beneficiary is not required to be an Alabama resident but must be a citizen or a resident of the United States. The Designated Beneficiary can be of any age.

Unit Classes. The Program offers four Unit Classes. They are Unit Class A, Unit Class B, Unit Class C, and Unit Class S. The fees and expenses associated with each Unit Class differ. Also, not everyone is eligible to use every Unit Class. You may establish separate Accounts under the Unit Classes for which such Accounts are eligible.

If neither the Account Owner nor the Designated Beneficiary of an Account is an Alabama resident at the time the Account is established, or if the Account Owner establishes an Account through a Financial Advisor, the Account Owner must select either Unit Class A, Unit Class B, or Unit Class C on the Enrollment Form for each Account being established. If you want to establish an Account under Unit Class A, Unit Class B, or Unit Class C, you must use the Enrollment Form for Account Owners working with a Financial Advisor. An Account will not be established under Unit Class B if the proposed Designated Beneficiary is 15 years old or older at the time of the proposed establishment of the Account. **If the Account Owner selects Unit Class B on the appropriate Enrollment Form and the Account is not eligible to be assigned to Unit Class B or if the Account Owner does not select a Unit Class on that Enrollment Form, then the Account will be assigned to Unit Class A.** In addition, under Unit Class B, the Designated Beneficiary for an Account may not be changed within six years after the most recent Contribution to such Account if the proposed Designated Beneficiary is 15 years old or older at the time of such proposed change.

If either the Account Owner or the Designated Beneficiary is an Alabama resident at the time an Account is established and the Account Owner establishes an Account directly through Van Kampen Funds (and without a Financial Advisor), the Account is eligible for Unit Class S. If you want to establish an Account under Unit Class S and are eligible to do so, you must use the Enrollment Form for Account Owners who are not working with a Financial Advisor.

Except for the automatic conversion of Class B Units to Class A Units as described under the heading “Program-Level Fees and Expenses: Establishing Accounts Through Financial Advisors — Conversion of Class B Units to Class A Units,” the Unit Class for the Units held in an Account will not change.

Maintenance of Accounts. Subject to the limitations set forth under the heading “Maintenance of Accounts,” the Account Owner may: (a) make Investment Selection Changes for all or a portion of the Account Balance in an Account once per calendar year without changing the Designated Beneficiary for that Account, and (b) change the Designated Beneficiary for an Account or any portion thereof at any time.

Contributions and Distributions. Contributions to an Account may be made by: (a) check, (b) Automatic Investment Plan, (c) Automatic Payroll Deduction Plan (for eligible Account Owners only), or (d) such other methods as may be permitted by the Manager from time to time. Each Contribution must satisfy the applicable minimum initial Contribution requirements or minimum subsequent Contribution requirements. Distributions from an Account may be requested by an Account Owner in writing, by telephone, or through the internet. Distribution Requests will be processed by the Manager as described under the heading “Distributions and Distribution Procedures.”

Federal Taxation. It is intended that the Program will provide Account Owners and Designated Beneficiaries with federal tax benefits as a Qualified Tuition Program. Contributions to Qualified Tuition Programs are not deductible for federal income tax purposes, but the earnings portion of Distributions from Qualified Tuition Programs that are used to fund Qualified Higher Education Expenses is not subject to federal income tax.

State of Alabama Taxes. With respect to Alabama residents, for purposes of calculating Alabama income tax, Contributions made to the Program are not deductible. The Attorney General of the State has issued an opinion that under current law, earnings on the investment of Contributions are not subject to Alabama income taxes while such earnings are held in the Program Trust Fund and will not be included in the Alabama taxable income of the Designated Beneficiary or the Account Owner until they are distributed, in whole or in part, from the Account. **The Attorney General’s opinion states that under current law, the earnings portion of a Distribution from the Program Trust Fund is subject to Alabama income tax, whether or not the Distribution is used to fund Qualified Higher Education Expenses.** Under current law, the Alabama income tax treatment of certain aspects of Distributions and other transactions under the Program is uncertain. In addition, it is possible that legislation will be proposed in the future to exempt part or all of certain Distributions from Alabama taxes. No assurance can be given that such legislation will be proposed, or if proposed will be enacted, or if enacted, will be retroactive in any way. See the discussion of Alabama income taxes under the headings “Program Risk Factors and Special Considerations — Treatment for Alabama Income Tax Purposes” and “Tax Matters — State of Alabama Taxes.” You should consult a qualified tax advisor about this and other Alabama tax consequences of participating in the Program, including estate and any local taxes that may apply.

Taxation by States Other Than Alabama. With respect to residents of states other than Alabama, the consequences to an Account Owner or a Designated Beneficiary of making an investment under the Program and taking Distributions from an Account will vary from state to state. Other Qualified Tuition Programs and education savings and investment programs may offer state tax benefits, including deductions or exclusions from income, that are not available under the Program. **Depending upon the applicable state laws, favorable state tax treatment for investing in a Qualified Tuition Program may be limited to investments made in a Qualified Tuition Program offered by the Account Owner’s or the Designated Beneficiary’s home state.** Account Owners and Designated Beneficiaries who are subject to taxation in jurisdictions other than Alabama should consult a qualified tax advisor regarding the state and local tax consequences of participating in the Program.

Federal Taxation: Sunset Provisions. The 2001 Tax Act made substantial changes to the federal tax treatment of Qualified Tuition Programs effective for taxable years beginning after December 31, 2001. The 2001 Tax Act provides, however, that the changes contained therein will no longer apply for taxable years beginning after December 31, 2010. Therefore, unless Congress enacts additional legislation, the changes under the 2001 Tax Act that took effect for taxable years beginning after December 31, 2001 will no longer apply for taxable years beginning after December 31, 2010. As a result, the former law will again become the applicable law for taxable years beginning after December 31, 2010. **Such a change in law could have adverse tax and other consequences to you. You should consider the potential effect such a change in law could have on your investment under the Program before establishing an Account.**

.....

“Account Agreement” means the written agreement between the Account Owner and the Board that governs the operation of each Account established under the Program by an Account Owner, as amended and supplemented from time to time.

“Account Owner,” “you” or “your” means the person or entity that establishes an Account on behalf of a Designated Beneficiary and any person or entity who is the successor in interest to such person or entity.

“Act” means the Wallace-Folsom College Savings Investment Plan Act, § 16-33C-1 to § 16-33C-13 of the Code of Alabama 1975, as amended from time to time, which established and applies to the Program and the PACT Program.

“Automatic Payroll Deduction Plan” refers to an employment-related, scheduled, periodic electronic funds transfer to an Account in connection with a Program payroll deduction or other arrangement with the Account Owner’s employer.

“BFDS” means Boston Financial Data Services Inc., a Massachusetts corporation. BFDS performs certain recordkeeping services in connection with the Program.

“Change of Designated Beneficiary Form” means the form used to change the Designated Beneficiary for an Account or any portion thereof and to make investments selections in connection therewith.

“Code” means the Internal Revenue Code of 1986, interpreted in accordance with the regulations promulgated thereunder, as amended from time to time.

“Designated Beneficiary” means: (a) the individual designated as the beneficiary of the Account at the time the Account is established; (b) the individual who is designated as the new Designated Beneficiary when the Designated Beneficiary

of an Account is changed; and (c) the individual receiving the benefits from an Account established by any state or local government or an organization described in Section 501(c)(3) of the Code, as part of a scholarship program operated by such government or organization.

“Destination Account” means any Account to which Systematic Exchanges are made from a Source Account in connection with a Systematic Exchange Plan.

“Distribution” means any disbursement from an Account, other than: (a) for the payment of fees or expenses or (b) the transfer of all or a portion of the Account Balance from one Account to another Account. Distributions include a payment to the Account Owner, to the Designated Beneficiary, or to such other person or entity as the Account Owner properly directs.

“Distribution Request” means a request for a Distribution from an Account that is made by the Account Owner in writing, by telephone, or through the internet, as set forth in this Program Disclosure Statement.

“Eligible Educational Institutions” generally includes accredited, post-secondary educational institutions offering credit toward a bachelor’s degree, an associate’s degree, a graduate level or professional degree, or another recognized postsecondary credential, and certain proprietary institutions and post-secondary vocational institutions as set forth in Section 529 of the Code. These institutions must be eligible to participate in certain federal student financial aid programs.

“Enrollment Form” means the Higher Education 529 Fund Enrollment Form that is to be completed and signed by an Account Owner and submitted to the Manager to establish one or more Accounts for the benefit of a particular Designated Beneficiary. By completing and signing the Enrollment Form, the Account Owner agrees to be bound by the terms and conditions of the Account Agreement with respect to each Account established on: (a) that Enrollment Form, (b) a Change of Investment Selections Form, or (c) a Change of Designated Beneficiary Form.

“FDIC” means the Federal Deposit Insurance Corporation.

“Fixed Portfolio” means a Portfolio within the Program Trust Fund to which an Account may be assigned. The asset allocation by investment sector and Underlying Funds for each Fixed Portfolio will not change over time based upon the number of Years to Enrollment for the Designated Beneficiary of the Account.

“Independent Distributor” means a financial institution that has entered into a selling agreement with Van Kampen Funds with respect to the Program.

“Individual Fund Portfolio” means a Portfolio within the Program Trust Fund to which an Account may be assigned, the assets of which are invested entirely in a single Underlying Fund. You may select more than one Individual Fund Portfolio to construct your own asset allocation by investment sector for your Accounts.

“Investment Selection Change” means: (a) any Portfolio change for all or a portion of the Account Balance of an Account that is initiated by an Account Owner, (b) any change to the number of Years to Enrollment for the Designated Beneficiary of an Account that is initiated by an Account Owner, (c) the establishment of a Systematic Exchange Plan for an existing Account, (d) any change to an existing Systematic Exchange Plan, including the establishment of a new Source Account or a new Destination Account for an existing Systematic Exchange Plan, and (e) any termination of an existing Systematic Exchange Plan that is initiated by an Account Owner (other than pursuant to an established termination date).

“IRS” means the Internal Revenue Service.

“Manager” means the third-party contractor appointed by the Board to act as its agent in administering the Program, or if none is appointed, the Board. Van Kampen is the current Manager for the Program.

“Member of the Family” means an individual who is related to the Designated Beneficiary as follows:

- a son or daughter, or a descendant of either;
- a stepson or stepdaughter;
- a brother, sister, stepbrother, or stepsister;
- the father or mother, or an ancestor of either;
- a stepfather or stepmother;
- a son or daughter of a brother or sister;
- a brother or sister of the father or mother;
- a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;
- the spouse of the Designated Beneficiary or the spouse of any of the foregoing individuals;
- a first cousin; or
- any other individual defined as a member of the Designated Beneficiary’s family under Section 529 of the Code.

For purposes of determining who is a “Member of the Family,” a legally adopted child of an individual shall be treated as the child of such individual by blood. The terms brother and sister include a brother or sister by the half-blood.

“NYSE” means the New York Stock Exchange.

“PACT Program” means the Alabama Prepaid Affordable College Tuition Program, a prepaid tuition program intended to qualify under Section 529 of the Code, which was established under the Act.

“Portfolio” means the Underlying Fund or combination of Underlying Funds approved by the Board for use in connection with the Higher Education 529 Fund.

“Program” means the Higher Education 529 Fund.

“Program Administrative Fund” means the fund created within the Treasurer’s office under the Act to accept, deposit, and disburse funds for the purpose of administering the Program.

“Program Disclosure Statement” means this Higher Education 529 Fund Program Disclosure Statement, as amended and supplemented from time to time.

“Program-Level Fees and Expenses” refers to the fees and expenses that are charged under the Unit Classes, including the Annual Account Fee, but does not include any separate fees that are charged by certain Financial Advisors in connection with Class A Units or the fees and expenses imposed by the Underlying Funds.

“Program Start Date” means the date on which the Program Trust Fund began to accept Contributions and the Board entered into Account Agreements with Account Owners.

“Program Trust Fund” means the fiduciary trust fund created under the Act to hold the assets of the Program, except amounts that are attributable to the payment of administrative fees and that are held in the Program Administrative Fund established under the Act.

“Qualified Higher Education Expenses” means tuition, fees, and the cost of books, supplies, and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Educational Institution, the cost of room and board (subject to certain limits) of a Designated Beneficiary incurred while attending an Eligible Educational Institution, and certain expenses for special needs services, all as set forth in Section 529 of the Code. See “Tax Matters — Coverdell Education Savings Accounts (formerly known as “Education IRAs”),” “Tax Matters — Hope Scholarship and Lifetime

Learning Credits,” and “Tax Matters — Other Scholarships and Allowances,” for circumstances in which Qualified Higher Education Expenses must be reduced or allocated for purposes of determining the tax consequences of Distributions from the Program.

“Qualified Tuition Program” means a higher education savings program or prepaid tuition program that qualifies for treatment under Section 529 of the Code.

“Rules” means the Higher Education 529 Fund Rules, as amended and supplemented from time to time.

“SAI” means the Statement of Additional Information for an Underlying Fund.

“SEC” means the U.S. Securities and Exchange Commission.

“Services” refers to the administrative, recordkeeping, investment advisory, marketing, and distribution services to be performed by the Manager under the Services Agreement.

“Services Agreement” means the Services Agreement, dated as of March 7, 2002, relating to the performance of the Services by the Manager in connection with the Program, as amended and supplemented from time to time.

“Source Account” means the Account from which Systematic Exchanges are made to one or more Destination Accounts in connection with a Systematic Exchange Plan.

“State” means the State of Alabama.

“State Street” means State Street Bank and Trust Company, a Massachusetts corporation. State Street will perform certain accounting and custodial services in connection with the Program.

“Supplement” means the then current Supplement to the Program Disclosure Statement, as amended and supplemented from time to time.

“Systematic Exchange” refers to the transfer of a specific, fixed amount of funds from a Source Account to a Destination Account at regular, predetermined intervals.

“Systematic Exchange Plan” refers to an investment program that allows Account Owners to engage in Systematic Exchanges.

“Tax-Free Rollover” means a transfer to a Qualified Tuition Program of the redemption proceeds of a qualified U.S. Savings Bond, or the distribution proceeds from a Coverdell education savings account (formerly known as an “Education IRA”) or a Qualified Tuition Program, including the Higher Education 529 Fund, which are not subject to federal income tax.

“Treasurer” means the State Treasurer of the State.

“2001 Tax Act” means The Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107-16).

“Underlying Funds” are the mutual funds in which the assets of the Portfolios are invested. The Underlying Fund(s) for each Portfolio are recommended to the Board by the Manager and approved by the Board. The current Underlying Funds are mutual funds managed by Van Kampen, Van Kampen Investment Advisory, or their affiliates.

“Unit” refers to the unit of measurement used for determining the value of an Account Owner’s interest in the assets held in a Portfolio that are attributable to an Account.

“Unit Class” refers to the type of fee structure class within a Portfolio that will be selected by the Account Owner for an Account on the Enrollment Form. Each Unit Class has a different combination of fees and expenses.

“Unit Value” for the Units of a Portfolio will be calculated by multiplying the net asset value per share of the Underlying Fund shares held in that Portfolio by the number of the Underlying Fund shares held in the Portfolio, adding any receivables attributable to that Portfolio, subtracting any liabilities (including accrued fees and expenses) attributable to that Portfolio, dividing by the number of outstanding Units for that Portfolio, and rounding to the nearest cent. The Manager shall compute a Unit Value for the Units of each Unit Class of a Portfolio.

“UGMA/UTMA” refers to a state’s Uniform Transfers to Minors Act or Uniform Gifts to Minors Act.

“UGMA/UTMA account” refers to an account established under a state’s UGMA/UTMA.

“Van Kampen” means Van Kampen Asset Management Inc., a Delaware corporation that is registered as an investment advisor under the Investment Advisers Act of 1940, as amended. Van Kampen will provide certain investment management, recordkeeping, and administrative services in connection with the Program.

“Van Kampen Funds” means Van Kampen Funds Inc., a Delaware corporation that is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended. Van Kampen Funds will perform certain distribution-related services in connection with the Program.

“Van Kampen Holdings” means collectively: (a) shares of beneficial interest owned by the Account Owner, the Account Owner’s spouse, any of the Account Owner’s dependent children under the age of 21, and any corporation, partnership, or sole proprietorship which is 100% owned, either alone or in combination, by any of the foregoing, in certain open-end investment companies advised by Van Kampen or Van Kampen Investment Advisory and distributed by Van Kampen Funds as determined from time to time by the Boards of Trustees of such mutual funds, and (b) the aggregate Account Balances of all Accounts held by the Account Owner, the Account Owner’s spouse or any of the Account Owner’s dependent children under the age of 21 who are also Account Owners under the Program.

“Van Kampen Investment Advisory” means Van Kampen Investment Advisory Corp., a Delaware corporation that is registered as an investment advisor under the Investment Advisers Act of 1940, as amended. Van Kampen Investment Advisory is the investment advisor to certain Underlying Funds used in connection with the Program.

“Van Kampen Investor Services” means Van Kampen Investor Services Inc., a Delaware corporation. Van Kampen Investor Services will perform certain transfer agency services in connection with the Program.

“Years to Enrollment” means the number of years until the first Distribution from an Account to fund the Qualified Higher Education Expenses of a Designated Beneficiary is expected to be made.

“Years to Enrollment Portfolio” means a Portfolio within the Program Trust Fund to which an Account may be assigned. The asset allocation by investment sector and Underlying Funds for a Years to Enrollment Portfolio depend upon the number of Years to Enrollment and the investment style for that Years to Enrollment Portfolio.

The Program Trust Fund and the Portfolios

Introduction

The Program's investment alternatives are made available through Portfolios. Each Portfolio represents a separate, segregated portfolio of investments. You may select from among the three different types of investment options described below:

- *Fixed Portfolio Option* — The asset allocation by investment sector and Underlying Funds for each Fixed Portfolio will not change over time based upon the number of Years to Enrollment for the Designated Beneficiary.
- *Years to Enrollment Portfolio Option* — The asset allocation by investment sector and Underlying Funds for a Years to Enrollment Portfolio depend upon the number of Years to Enrollment and the investment style for that Years to Enrollment Portfolio. In general, as the number of Years to Enrollment for the Designated Beneficiary of an Account decreases, the Account will be automatically reassigned to a different Portfolio as described below under the subheading "Years to Enrollment Portfolios — Automatic Reassignment of Accounts Assigned to Years to Enrollment Portfolios to Different Years to Enrollment Portfolios."
- *Individual Fund Portfolio Option* — The assets of each Individual Fund Portfolio are invested entirely in a single Underlying Fund, which will not change unless the Board takes action to change it.

Accounts will be assigned to the Portfolio(s) selected by the Account Owner on the appropriate form. An Account Owner may cause as many separate Accounts to be established for the same Designated Beneficiary as there are Portfolios that, in the discretion of the Account Owner, are appropriate for that Designated Beneficiary.

The Manager recommends to the Board and the Board approves: (a) the percentage asset allocation by investment sector for each Fixed Portfolio and each Years to Enrollment Portfolio, and (b) specific Underlying Funds for each such Portfolio that are consistent with the asset allocation by investment sector for that Portfolio. The Manager also recommends to the Board and the Board approves the specific Underlying Fund that is used for each Individual Fund Portfolio. Account Owners may select more than one Individual Fund Portfolio to construct their own asset allocation by investment sector for their Accounts.

If an Account is assigned to a Fixed Portfolio or a Years to Enrollment Portfolio, Contributions to that Account, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be used by the Manager to purchase shares of the Underlying Funds in accordance with the asset allocation for the Portfolio to which the Account has been assigned. The entire amount of a Contribution to an Account that is assigned to an Individual Fund Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be used by the Manager to purchase shares of the Underlying Fund for that Individual Fund Portfolio. Prior to the investment of a Contribution in shares of Underlying Funds, such Contribution may be invested by the Manager on behalf of the applicable Portfolio in overnight repurchase agreements with certain financial institutions.

The Underlying Funds that correspond to certain investment sectors are set forth below.

Investment Sector	Underlying Fund
<i>Equity</i>	
U.S. Large-Cap Equity Securities	Van Kampen Emerging Growth Fund Van Kampen Growth and Income Fund Van Kampen Comstock Fund Van Kampen Value Opportunities Fund
U.S. Mid-Cap Equity Securities	Van Kampen Growth Fund
U.S. Small-Cap Equity Securities	Van Kampen Small Cap Value Fund
Global and International Equity Securities	Van Kampen International Advantage Fund Van Kampen International Magnum Fund Van Kampen Global Franchise Fund
<i>Equity/Fixed-Income</i>	
Equity/Fixed Income Securities	Van Kampen Equity and Income Fund
<i>Fixed-Income</i>	
Corporate High Yield Bonds	Van Kampen High Income Corporate Bond Fund
Corporate Bonds	Van Kampen Corporate Bond Fund
Government Bonds	Van Kampen Government Securities Fund Van Kampen Limited Maturity Government Fund
<i>Cash/Money Market</i>	
Cash/Money Market Securities	Van Kampen Reserve Fund

The Manager will review the asset allocation by investment sector and Underlying Funds for each Fixed Portfolio and each Years to Enrollment Portfolio and may, from time to time, recommend changes in such asset allocations and Underlying Funds to the Board. **The Manager will review the Underlying Fund that is used for each Individual Fund Portfolio and may, from time to time, recommend a change in such Underlying Fund to the Board.** The Board may change the asset allocation for a Fixed Portfolio or a Years to Enrollment Portfolio, add, eliminate or change the Underlying Fund(s) for any Portfolio, create additional Portfolios, or eliminate Portfolios, all without regard to prior selections made by the Account Owner. The Board is not obligated to circulate any notice or to update the Program Disclosure Statement or the current Supplement in connection with any such change, but may do so if such change is determined by the Board to be material. See “Program Risk Factors and Special Considerations — Changes to Portfolios, Asset Allocation, and Underlying Fund(s); Rebalancing of Fixed Portfolios and Years to Enrollment Portfolios.”

The Manager also will review the actual asset allocation of each Fixed Portfolio and each Years to Enrollment Portfolio from time to time and will perform Portfolio rebalancings as described under the heading “Maintenance of Accounts — Rebalancing of Fixed Portfolios and Years to Enrollment Portfolios.” Subject to the limitations set forth under the heading “Maintenance of Accounts,” the Account Owner may: (a) make Investment Selection Changes for an Account once per calendar year without changing the Designated Beneficiary for that Account, and (b) change the Designated Beneficiary for an Account or any portion thereof at any time.

The investment objectives and policies of the Underlying Funds are summarized in Appendix I to this Program Disclosure Statement under the heading “Description of the Underlying Funds.” Certain risks relating to the Underlying Funds are summarized in Appendix I to this Program Disclosure Statement under the heading “The Underlying Funds — Risk Factors and Special Considerations.” Certain risks relating to participation in the Program are summarized under the heading “Program Risk Factors and Special Considerations.”

Participation in the Program entails investment risk. You could lose money (including amounts contributed to your Account), or not make money, if you participate in the Program. The value of an Account may decrease based on the investment performance of the Underlying Fund(s) for the Portfolio to which the Account is assigned. As a result, the value of an Account may be less than the Contributions credited to the Account. No assurance can be given that the asset allocation or Underlying

Fund(s) for any Portfolio will be successful. Account Owners may lose money (including amounts contributed to an Account) or may not make money. The Accounts, amounts contributed to an Account, the investment return, if any, on an Account, and the future value of an Account and investments under the Program are not deposits of any bank or other insured depository institution, and are not debt obligations of, or insured or guaranteed by the FDIC, the State, the Board, the Treasurer, the Program Trust Fund, any other state or federal governmental agency, the Manager, Van Kampen Funds, Van Kampen Investment Advisory, Van Kampen Investor Services, BFDS, State Street, or any of their affiliates, any agent or representative retained in connection with the Program, any other person, or any depository institution. None of these entities or persons has any legal or moral obligation to ensure the ultimate payout of any or all of the amount of any Contribution to an Account or that there will be any investment return, or a particular investment return, with respect to any Account.

Replacement of Van Kampen Comstock Fund by Van Kampen Value Opportunities Fund for Higher Education Fund Equity Portfolio and Higher Education Fund Years to Enrollment Portfolios

The Board may change the asset allocation for a Fixed Portfolio or a Years to Enrollment Portfolio, add, eliminate or change the Underlying Fund(s) for any Portfolio, create additional Portfolios, or eliminate Portfolios, all without regard to prior selections made by the Account Owner. ***Pursuant to that authority, the Board has replaced Van Kampen Comstock Fund with Van Kampen Value Opportunities Fund for the Higher Education Fund Equity Portfolio and each Higher Education Fund Years to Enrollment Portfolio. On January 30, 2004, all shares of Van Kampen Comstock Fund held by such Portfolios were sold and the proceeds from that sale were used to purchase shares of Van Kampen Value Opportunities Fund. The value of the Units for such Portfolios was not adversely affected by this sale of Van Kampen Comstock Fund shares and purchase of Van Kampen Value Opportunities Fund shares. None of the asset allocations or remaining Underlying Funds for the Higher Education Fund Equity Portfolio and the Higher Education Fund Years to Enrollment Portfolios has been changed by the Board.*** Please see “The Program Trust Fund and the Portfolios — Fixed Portfolios” and “The Program Trust Fund and the Portfolios — Years to Enrollment Portfolios,” in this Program Disclosure Statement for the asset allocations and Underlying Funds for these Portfolios. Contributions to Accounts assigned to those Portfolios and the earnings thereon, if any, will be used by the Manager to purchase shares of Van Kampen Value Opportunities Fund in accordance with the asset allocation for the applicable Portfolio.

No sales charges, fees, or other expenses were charged in connection with the fund substitution. The fund substitution will not affect the ability of Account Owners to make Investment Selection Changes for Accounts assigned to these Portfolios and will not be treated as a Distribution or a taxable event for federal income tax purposes.

The investment objective and policies of Van Kampen Value Opportunities Fund and certain risks associated with an investment in such Underlying Fund are summarized in Appendix I to this Program Disclosure Statement under the headings “Description of the Underlying Funds” and “The Underlying Funds — Risk Factors and Special Considerations.”

Fixed Portfolios

The asset allocation by investment sector and the Underlying Funds for each Fixed Portfolio will not change based on the Years to Enrollment for the Designated Beneficiary. None of the Fixed Portfolios has been designed to provide any particular total return over any particular time period. The asset allocation by investment sector for a Fixed Portfolio depends upon the investment style for that Fixed Portfolio. The investment styles that are available for the Fixed Portfolios are Equity, Bond, and Short Term Income. You may select from among three different Fixed Portfolios. The Fixed Portfolios are:

- ***Higher Education Fund Equity Portfolio*** — The asset allocation for the Higher Education Fund Equity Portfolio is 100% Underlying Funds that invest primarily in equity securities.
- ***Higher Education Fund Bond Portfolio*** — The asset allocation for the Higher Education Fund Bond Portfolio is 100% Underlying Funds that invest primarily in fixed-income securities.
- ***Higher Education Short Term Income Portfolio*** — The asset allocation for the Higher Education Fund Short Term Income Portfolio is 100% Underlying Funds that invest primarily in cash/money market securities and short term U.S. government securities.

The following table summarizes the current asset allocations by investment sector and Underlying Funds for the Fixed Portfolios currently available under the Program.

Asset Allocations by Investment Sector and Underlying Funds for Fixed Portfolios

Portfolio Name	Equity					Fixed-Income			Cash/Money Market			
	US Large-Cap Equity		US Mid-Cap Equity	US Small-Cap Equity	Global and International Equity		Corporate High Yield Bonds	Corporate Bonds	Cash/Money Market			
	Van Kampen Emerging Growth Fund	Van Kampen Growth and Income Fund	Van Kampen Value Opportunities Fund	Van Kampen Small Cap Value Fund	Van Kampen International Magnum Fund	Van Kampen International Advantage Fund	Van Kampen Global Franchise Fund	Van Kampen High Income Corporate Bond Fund	Van Kampen Corporate Bond Fund	Van Kampen Government Securities Fund	Van Kampen Limited Maturity Government Fund	Van Kampen Reserve Fund
Higher Education Fund Equity Portfolio	15.33%	15.33%	15.33%	15%	15%	8%	8%	8%	0%	0%	0%	0%
Higher Education Fund Bond Portfolio	0%	0%	0%	0%	0%	0%	0%	0%	10%	40%	50%	0%
Higher Education Fund Short Term Income Portfolio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%	50%

Years to Enrollment Portfolios

The asset allocation by investment sector and Underlying Funds for a Years to Enrollment Portfolio depend upon the investment style and the number of Years to Enrollment for that Years to Enrollment Portfolio. In general, as the number of Years to Enrollment for the Designated Beneficiary of an Account decreases, the Account will be automatically reassigned to a different Portfolio as described below. None of the Years to Enrollment Portfolios has been designed to provide any particular total return over any particular time period.

Years to Enrollment. If an Account Owner selects a Years to Enrollment Portfolio, the Account Owner must also identify the number of Years to Enrollment for the Designated Beneficiary of the Account. The Years to Enrollment periods for the Years to Enrollment Portfolio are: 10 or more, 9-7, 6-4, 3-2, and 1 or less. An Account Owner may select more than one Years to Enrollment period for Accounts held on behalf of the same Designated Beneficiary. A governmental entity or an organization described under Section 501(c)(3) of the Code that establishes an Account as part of a scholarship program may select a number of Years to Enrollment without identifying a Designated Beneficiary for the Account.

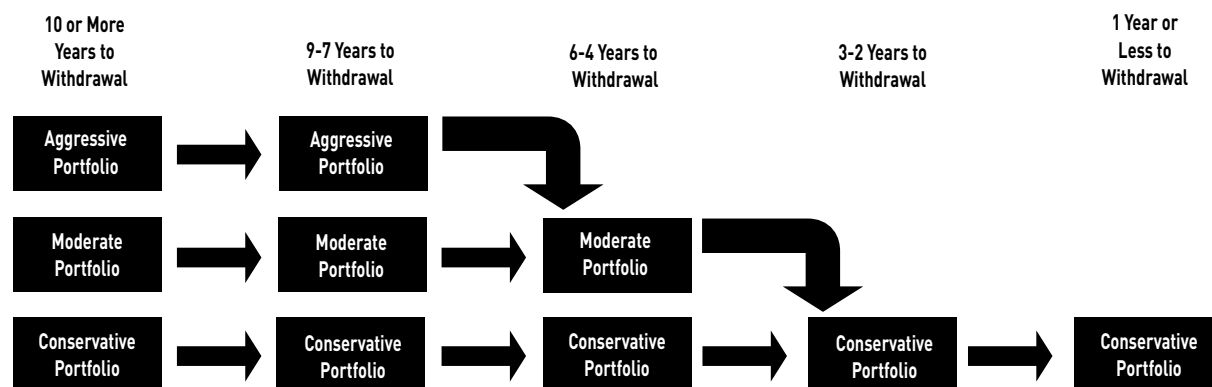
The Manager will rely on the information provided by an Account Owner on the appropriate form with respect to the number of Years to Enrollment for a Designated Beneficiary in assigning an Account to a Years to Enrollment Portfolio. Even if the actual number of Years to Enrollment for the Designated Beneficiary corresponds to the number of Years to Enrollment identified on the form, no assurance can be given that the investment return, if any, for the applicable Years to Enrollment Portfolio will be sufficient to fund the Qualified Higher Education Expenses of the Designated Beneficiary. It may, however, be more difficult to fund the Qualified Higher Education Expenses of the Designated Beneficiary if the actual number of Years to Enrollment for the Designated Beneficiary does not correspond to the number of Years to Enrollment identified by the Account Owner on the form.

In general, the asset allocation for a Years to Enrollment Portfolio that has a greater number of Years to Enrollment will be focused more heavily on Underlying Funds that invest primarily in equity securities and less heavily on Underlying Funds that invest primarily in fixed-income securities and cash/money market securities. Conversely, the asset allocation for a Years to Enrollment Portfolio that has a lower number of Years to Enrollment generally will be focused more heavily on Underlying Funds that invest primarily in fixed-income securities and cash/money market securities and less heavily on Underlying Funds that invest primarily in equity securities.

Investment Style. The investment styles that are available for the Years to Enrollment Portfolios are Aggressive, Moderate, and Conservative. In general, the asset allocation for a Years to Enrollment Aggressive Portfolio will be focused more heavily on Underlying Funds that invest primarily in equity securities and less heavily on Underlying Funds that invest primarily in fixed-income securities and cash/money market securities than the asset allocation for a Years to Enrollment Moderate Portfolio or a Years to Enrollment Conservative Portfolio. The asset allocation for a Years to Enrollment Moderate Portfolio generally will be focused more heavily on Underlying Funds that invest primarily in equity securities and less heavily on Underlying Funds that invest primarily in fixed-income securities and cash/money market securities than the asset allocation for a Years to Enrollment Conservative Portfolio. The asset allocation for a Years to Enrollment Moderate Portfolio generally will be focused more heavily on Underlying Funds that invest primarily in fixed-income securities and cash/money market securities and less heavily on Underlying Funds that invest primarily in equity securities than the asset allocation for a Years to Enrollment Aggressive Portfolio. In general, the asset allocation for a Years to Enrollment Conservative Portfolio will be focused more heavily on Underlying Funds that invest primarily in fixed-income securities and cash/money market securities and less heavily on Underlying Funds that invest primarily in equity securities than the asset allocation for a Years to Enrollment Moderate Portfolio or a Years to Enrollment Aggressive Portfolio.

Automatic Reassignment of Accounts Assigned to Years to Enrollment Portfolios to Different Years to Enrollment Portfolios.

An Account generally will not remain assigned to the Years to Enrollment Portfolio to which it is initially assigned. In general, an Account will be automatically reassigned to another Years to Enrollment Portfolio that corresponds to the number of Years to Enrollment for the Designated Beneficiary of that Account. As the number of Years to Enrollment for a Designated Beneficiary decreases, the Account will be automatically reassigned to a different Years to Enrollment Portfolio as set forth in the chart below.



When an Account is reassigned to a different Years to Enrollment Portfolio because the number of Years to Enrollment for the applicable Designated Beneficiary is lower than the lowest number of Years to Enrollment for the Years to Enrollment Portfolio, Units of the Years to Enrollment Portfolio to which the Account had been assigned will be converted into Units of the Years to Enrollment Portfolio to which the Account is reassigned. The Unit Class for the Account and the Account Balance for that Account will not change in connection with any such automatic reassignment. Thereafter, Contributions to such an Account, less any sales charges, fees or expenses, and the earnings thereon, if any, will be used by the Manager to purchase shares of the Underlying Funds on behalf of the Program Trust Fund in accordance with the asset allocation for the Years to Enrollment Portfolio to which the Account is reassigned. The process of reassigning an Account to a different Years to Enrollment Portfolio will continue until the number of Years to Enrollment for a Designated Beneficiary is one year or less or the entire balance of funds credited to the Account have been distributed from the Account, whichever occurs first. An Account that has been reassigned to a different Years to Enrollment Portfolio will then be subject to the risks associated with investing in the combination of Underlying Funds for that Years to Enrollment Portfolio. See “Program Risk Factors and Special Considerations” below and “The Underlying Funds — Risk Factors and Special Considerations” in Appendix I.

Years to Enrollment Portfolio Choices. Account Owners may select from among 10 different Years to Enrollment Portfolios and may hold Accounts on behalf of a single Designated Beneficiary that have different Years to Enrollment periods. The Years to Enrollment Portfolios are:

- *Higher Education Fund Aggressive Portfolio 1* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 10 or more years and who want an Aggressive investment style.
- *Higher Education Fund Moderate Portfolio 1* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 10 or more years and who want a Moderate investment style.
- *Higher Education Fund Conservative Portfolio 1* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 10 or more years and who want a Conservative investment style.
- *Higher Education Fund Aggressive Portfolio 2* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 9-7 years and who want an Aggressive investment style.
- *Higher Education Fund Moderate Portfolio 2* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 9-7 years and who want a Moderate investment style.
- *Higher Education Fund Conservative Portfolio 2* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 9-7 years and who want a Conservative investment style.
- *Higher Education Fund Moderate Portfolio 3* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 6-4 years and who want a Moderate investment style.
- *Higher Education Fund Conservative Portfolio 3* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 6-4 years and who want a Conservative investment style.
- *Higher Education Fund Conservative Portfolio 4* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 3-2 years and who want a Conservative investment style.
- *Higher Education Fund Conservative Portfolio 5* — This Portfolio may be used by Account Owners with a Designated Beneficiary with a Years to Enrollment period of 1 or less years and who want a Conservative investment style.

The following table summarizes the current asset allocations by investment sector and Underlying Funds for the Years to Enrollment Portfolios currently available under the Program.

Asset Allocations By Investment Sector and Underlying Funds for Years to Enrollment Portfolios

Portfolio Name	Number of Years to Enrollment	Equity					Fixed Income			Cash/Money Market				
		US Large-Cap Equity		US Mid-Cap Equity	US Small-Cap Equity	Global and International Equity	Corporate High Yield Bonds	Corporate Bonds	Government Bonds	Cash/Money Market				
		Van Kampen Emerging Growth Fund	Van Kampen Growth and Income Fund	Van Kampen Value Opportunities Fund	Van Kampen Small Cap Value Fund	Van Kampen International Magnum Fund	Van Kampen International Advantage Fund	Van Kampen Global Franchise Fund	Van Kampen High Income Corporate Bond Fund	Van Kampen Government Securities Fund	Van Kampen Limited Maturity Government Fund	Van Kampen Reserve Fund		
Higher Education Fund	10+	13.67%	13.67%	13.67%	14%	13%	7.33%	7.33%	7.33%	0%	4%	6%	0%	0%
Aggressive Portfolio 1		10.33%	10.33%	10.33%	12%	4%	4.33%	4.33%	4.33%	3%	12%	17%	0%	8%
Moderate Portfolio 1		4.67%	4.67%	4.67%	6%	0%	1.67%	1.67%	1.67%	5%	24%	29%	0%	17%
Higher Education Fund	10+	11.67%	11.67%	11.67%	14%	8%	6%	6%	6%	0%	10%	15%	0%	0%
Aggressive Portfolio 2		8.67%	8.67%	8.67%	10%	3%	3.67%	3.67%	3.67%	4%	15%	21%	0%	10%
Moderate Portfolio 2		4%	4%	4%	4%	0%	1.33%	1.33%	1.33%	5%	23%	28%	0%	24%
Higher Education Fund	9-7	8.67%	8.67%	8.67%	10%	3%	3.67%	3.67%	3.67%	4%	15%	21%	0%	10%
Aggressive Portfolio 3		4%	4%	4%	4%	0%	1.33%	1.33%	1.33%	5%	23%	28%	0%	24%
Moderate Portfolio 3		4%	4%	4%	4%	0%	1.33%	1.33%	1.33%	5%	23%	28%	0%	24%
Higher Education Fund	6-4	2.33%	2.33%	2.33%	0%	0%	1%	1%	1%	5%	22%	27%	0%	36%
Aggressive Portfolio 4		1.67%	1.67%	1.67%	0%	0%	0%	0%	0%	4%	18%	23%	0%	50%
Moderate Portfolio 4		1.67%	1.67%	1.67%	0%	0%	0%	0%	0%	4%	18%	23%	0%	50%

Individual Fund Portfolios

The assets of each Individual Fund Portfolio are invested entirely in a single Underlying Fund, which will not change unless the Board takes action to change it. None of the Individual Fund Portfolios has been designed to provide any particular total return over any particular time period. There are eight Individual Fund Portfolios, each of which has a different Underlying Fund. Account Owners may select more than one Individual Fund Portfolio to construct their own asset allocation by investment sector for their Accounts. The Individual Fund Portfolios are:

- *Higher Education Fund Equity and Income Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen Equity and Income Fund.
- *Higher Education Fund Comstock Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen Comstock Fund.
- *Higher Education Fund Small Cap Value Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen Small Cap Value Fund.
- *Higher Education Fund Emerging Growth Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen Emerging Growth Fund.
- *Higher Education Fund Growth Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen Growth Fund.
- *Higher Education Fund Global Franchise Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen Global Franchise Fund.
- *Higher Education Fund International Advantage Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen International Advantage Fund.
- *Higher Education Fund Government Securities Portfolio* — The entire amount of a Contribution to an Account assigned to this Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be invested in Van Kampen Government Securities Fund.

Program Risk Factors and Special Considerations

Certain risk factors relating to participation in the Program are described below.

No Guarantees; Not Insured. Participation in the Program entails investment risk. You could lose money (including amounts contributed to your Account), or not make money, if you participate in the Program. The Accounts, amounts contributed to an Account, the investment return, if any, on an Account, and the future value of an Account and investments under the Program are not deposits of any bank or other insured depository institution, and are not debt obligations of, or insured or guaranteed by the FDIC, the State, the Board, the Treasurer, the Program Trust Fund, any other state or federal governmental agency, the Manager, Van Kampen Funds, Van Kampen Investment Advisory, Van Kampen Investor Services, BFDS, State Street, or any of their affiliates, any agent or representative retained in connection with the Program, any other person, or any depository institution. None of these entities or persons has any legal or moral obligation to ensure the ultimate payout of any or all of the amount of any Contribution to an Account or that there will be any investment return, or a particular investment return, with respect to any Account.

Investment Risks. The assets in the Program Trust Fund that are attributable to a Portfolio will be invested either in a single Underlying Fund or in a combination of Underlying Funds that has been approved by the Board for that Portfolio. As a result, the investment of Contributions to an Account will be subject to the risks associated with an investment in the Underlying Fund(s) for the Portfolio to which the Account is assigned. These investment risks are described in Appendix I under the heading “The Underlying Funds — Risk Factors and Special Considerations.” **The Account Balance in an Account may increase or decrease based on the investment performance of the Underlying Fund(s) for the Portfolio to which the Account is assigned. The Account Balance for an Account may be more or less than the amount contributed to the Account. Account Owners may lose money (including amounts contributed to an Account) or may not make money.** If the asset allocation or Underlying Funds for a Fixed Portfolio or a Years to Enrollment Portfolio change in the future, the risks associated with having an Account assigned to that Portfolio may also change. If the Underlying Fund for an Individual Fund Portfolio changes in the future, the risks associated with having an Account assigned to that Portfolio also may change.

Individual Fund Portfolio Risks. Each Individual Fund Portfolio invests all of its assets in a single Underlying Fund. As a result, its investment performance is entirely dependant upon the performance of the single Underlying Fund in which it invests, net of any Program-Level Fees and Expenses. **Accordingly, the investment performance of an Individual Fund Portfolio may be more volatile than that of the more broadly diversified Fixed Portfolios and Years to Enrollment Portfolios. In addition, since the Underlying Fund for an Individual Fund Portfolio may have one style of investing (i.e., “growth” or “value” investing), the investment performance of an Individual Fund Portfolio may be more subject to market risk if that style of investing goes out of favor. These investment risks may be increased further if the applicable Underlying Fund is a non-diversified fund.** Account Owners may select more than one Individual Fund Portfolio to construct their own asset allocation by investment sector for their Accounts.

Maximum Account Balance Limitation. The Code requires the Program to provide adequate safeguards to prevent Contributions from being made on behalf of a Designated Beneficiary that are in excess of those necessary to provide for the Qualified Higher Education Expenses of the Designated Beneficiary. To satisfy this requirement, the Board has established a limit on the aggregate value of all Accounts under the Program and PACT Program contracts that may be held on behalf of a particular Designated Beneficiary. This limit is referred to in this Program Disclosure Statement as the Maximum Account Balance Limitation. However, even if the aggregate value of all Accounts under the Program and PACT Program contracts held on behalf of a Designated Beneficiary equals or exceeds the Maximum Account Balance Limitation, such amounts may not be sufficient to fund all of the Qualified Higher Education Expenses of that Designated Beneficiary.

Portfolio Performance May Not Keep Pace with Education Expense Inflation. The Account Balances in the Accounts maintained on behalf of a Designated Beneficiary may or may not be adequate to cover the Qualified Higher Educational Expenses of that Designated Beneficiary, even if Contributions are made at the maximum allowable amount. No assurance can be given that any Portfolio will earn any investment return. In addition, the level of future inflation in Qualified Higher Education Expenses is uncertain and could exceed the rate of investment return earned by any or all of the Portfolios. As described above, each Years to Enrollment Portfolio has different asset allocations for equity, fixed-income, and cash/money market that are based upon the number of Years to Enrollment for that Years to Enrollment Portfolio. In general, the allocation of equity investments for a Years to Enrollment Portfolio will decrease as the number of Years to Enrollment for the Designated Beneficiary decreases. Because the asset allocation of Years to Enrollment Portfolios will become more weighted over time

towards fixed-income securities and cash/money-market securities, the investment return on Years to Enrollment Portfolios for Designated Beneficiaries who have relatively few Years to Enrollment may be less likely to equal or exceed the rate of inflation in Qualified Higher Education Expenses. Similarly, because the asset allocation for Higher Education Fund Bond Portfolio is 100% Underlying Funds that invest primarily in fixed-income securities and the asset allocation for Higher Education Short Term Income Portfolio is 100% Underlying Funds that invest primarily in cash/money market securities and short term U.S. government securities, the investment return on an Account assigned to one of these Fixed Portfolios may be less likely to equal or exceed the rate of tuition inflation. This also may be true for an Account that is assigned to the Higher Education Fund Government Securities Portfolio, because Van Kampen Government Securities Fund invests primarily in U.S. government securities.

The investment return, if any, for an Account assigned to a Years to Enrollment Portfolio may be less likely to equal or exceed the rate of inflation in Qualified Higher Education expenses if equity investments do not perform as well as other asset classes during the period of time in which the number of Years to Enrollment for the Designated Beneficiary is relatively high. Similarly, because the asset allocation for Higher Education Fund Equity Portfolio is 100% Underlying Funds that invest primarily in equity securities, the investment return on an Account assigned to this Fixed Portfolio may not keep pace with tuition inflation if equity securities underperform other asset classes for any particular period of time. This also may be true for an Account assigned to an Individual Fund Portfolio (other than the Higher Education Fund Government Securities Portfolio), because the applicable Underlying Fund for each of those Portfolios invests primarily in equity securities.

Limited Uses of Distributions Without Penalty. Other than payment of the Qualified Higher Education Expenses of the Designated Beneficiary, the circumstances in which a Distribution may be taken from an Account without a penalty or adverse tax consequences are limited.

Lack of Investment Control by Account Owners. The Account Owner is not permitted to exercise control with respect to the asset allocation or Underlying Funds for the Fixed Portfolio or Years to Enrollment Portfolio to which an Account is assigned or the Underlying Fund for the Individual Fund Portfolio to which an Account is assigned. However, the Account Owner may make Investment Selection Changes for an Account once per calendar year without changing the Designated Beneficiary for that Account in accordance with the provisions set forth under the heading “Maintenance of Accounts — Changing the Investment Selections for an Account Without Changing the Designated Beneficiary for that Account; Multiple Accounts Held on Behalf of the Same Designated Beneficiary.” The Account Owner also may make investment selections for an Account in connection with a change of Designated Beneficiary for that Account as described under the heading “Maintenance of Accounts — Changing the Designated Beneficiary for an Account.” The Board may change the asset allocation for a Fixed Portfolio or a Years to Enrollment Portfolio, add, eliminate or change the Underlying Fund(s) for any Portfolio, create additional Portfolios, or eliminate Portfolios, all without regard to prior selections made by the Account Owner as described under the heading “The Program Trust Fund and the Portfolios.”

Status of Federal and State Laws and Regulations Governing the Program. The Act, the Rules, and federal law and regulations governing the operation of the Program may change in the future. In addition, state laws (including Alabama laws) and federal laws relating to the funding of higher education expenses and tax matters are also subject to change. No assurance can be given that such changes in law will not adversely affect the value of participation in the Program or Accounts maintained under the Program. No one, including the State, the Board, the Treasurer, the Manager, or Van Kampen Funds, is required to continue the operation of the Program.

The 2001 Tax Act made substantial changes to the federal tax treatment of Qualified Tuition Programs effective for taxable years beginning after December 31, 2001. The 2001 Tax Act provides, however, that the changes contained therein will no longer apply for taxable years beginning after December 31, 2010. Therefore, unless Congress enacts additional legislation, the changes under the 2001 Tax Act that took effect for taxable years beginning after December 31, 2001 will no longer apply for taxable years beginning after December 31, 2010. As a result, the former law will again become the applicable law for taxable years beginning after December 31, 2010. Such a change in law could have adverse tax and other consequences to you.

Lack of Certainty/Adverse Tax or Other Consequences. The Board intends to request a private letter ruling from the IRS to the effect that the Program is a “Qualified Tuition Program” within the meaning of Section 529 of the Code. No assurance can be given that such a ruling will be received. Also, no final federal income tax regulations have been issued by the U.S. Treasury Department under Section 529 of the Code. Before or after issuance of a private letter ruling relating to the Program, final federal income tax regulations or other administrative guidance or court decisions might be issued that would adversely affect the federal tax or other consequences associated with investing under the Program. In addition, the U.S. Congress could enact legislation that adversely affects the federal tax consequences associated with participating in the

Program. The Board and the Manager intend to modify the Program, as necessary, to enable the Program to meet the requirements of Section 529 of the Code. In the event that the Program, as currently structured or as subsequently modified, does not meet the requirements of Section 529 of the Code for any reason, the tax consequences applicable to Account Owners and Designated Beneficiaries may differ from those described below under the heading “Tax Matters.” No assurance can be given that such changes will not have a retroactive effect. In addition, the initial sales charge reductions/waivers under Unit Class A described under the heading “Program-Level Fees and Expenses: Establishing Accounts Through Financial Advisors” may be reduced or eliminated in the event the Board determines that such action is necessary to satisfy the requirements of Section 529 of the Code.

Treatment for Alabama Income Tax Purposes. The Attorney General of the State has issued an opinion that under current law, with respect to Alabama residents, the earnings portion of a Distribution from the Program Trust Fund is subject to Alabama income tax, whether or not the Distribution is used to fund Qualified Higher Education Expenses. It is possible that a court of competent jurisdiction, however, could reach a different conclusion. Moreover, under current law, the Alabama income tax treatment of certain aspects of Distributions and other transactions under the Program is uncertain. In particular, it is uncertain whether the earnings portion of a Distribution will be taxed to the Account Owner or to the Designated Beneficiary, and how the earnings portion of a Distribution is determined for such purposes. In addition, under current law, it is unclear what the implications of certain transactions under the Program are under Alabama income tax law, including, but not limited to, changing the Designated Beneficiary for all or a portion of the Account Balance in an Account, making Investment Selection Changes for an Account without changing the Designated Beneficiary for that Account, or transferring an Account to a successor Account Owner. In addition, it is possible that legislation will be proposed in the future to exempt part or all of certain Distributions from Alabama taxes. No assurance can be given that such legislation will be proposed, or if proposed will be enacted, or if enacted, will be retroactive in any way. You should consult a qualified tax advisor about these issues and other Alabama tax consequences of participation in the Program, including any estate and any local taxes that may apply.

Uncertainty of Treatment for Financial Aid Purposes. The treatment of Account Balances for purposes of existing federal, state and institutional grant, loan and other programs to assist students and their families in funding higher education expenses is uncertain. The U.S. Department of Education has issued a letter stating that, for purposes of the needs analysis provisions of certain loan programs under Title IV of the federal Higher Education Act, assets held in Qualified Tuition Programs that are savings rather than prepayment programs are “assets of the parent if the parent is an owner of the Account and that assets held in . . . accounts not owned by a parent will not be considered in the student’s need analysis except . . . to the extent a student receives the proceeds.” It is not certain whether Account Owners or Designated Beneficiaries may rely upon this letter. No assurance can be given concerning the future treatment of Account Balances for purposes of any such federal, state or institutional loan, grant or other financial assistance program. The treatment of Account Balances for purposes of existing or future federal, state or institutional student financial assistance programs may have a material effect upon the eligibility of a Designated Beneficiary or an Account Owner for such financial assistance. You should consult your financial aid advisor for further information.

Other Investment Alternatives. The Board and the Manager, except as required by law, make no representations regarding the appropriateness of the Program or any Portfolio as an investment alternative. A number of other Qualified Tuition Programs and other education savings and investment programs, including Coverdell Education Savings Accounts (formerly known as “Education IRAs” and referred to herein as “Coverdell ESAs”), are currently available to prospective Account Owners. These programs may offer benefits, including state tax benefits, other investment options, and investment control, to some or all Account Owners or Designated Beneficiaries that are not available under the Program. These programs may also involve fees and expenses that are lower than the fees and expenses under the Program. Accordingly, prospective Account Owners should consider these other investment alternatives before establishing an Account and participating in the Program. Prospective Account Owners also should consider whether investing directly in the Underlying Funds would be a better option than investing in the Program, especially if they are considering an investment in an Individual Fund Portfolio. A direct investment in the Underlying Funds may involve lower fees and expenses than are available under the Program. A direct investment in the Underlying Funds would not, however, be eligible for the tax benefits of a Qualified Tuition Program.

Medicaid and Other Federal and State Benefits. The effect of Account Balances on eligibility for Medicaid or other state and federal benefits is uncertain. No assurance can be given that Account Balances will not be viewed as a “countable resource” in determining an individual’s financial eligibility for Medicaid. Distributions from an Account during certain periods may also have the effect of delaying the disbursement of Medicaid payments. Account Owners should consult a qualified advisor to determine how Account Balances may affect eligibility for Medicaid or other state and federal benefits.

Limited Operating History. The Program only commenced operations on June 26, 2002 and has a very limited operating history. Past performance for a Portfolio or its Underlying Fund(s) should not be viewed as a prediction of future performance of that Portfolio or its Underlying Fund(s).

Varying Investment Results. As with any investment, the return an Account Owner can expect on participation in the Program will vary depending on circumstances. Past performance of an Underlying Fund is no guarantee or indication of future results for that Underlying Fund or the applicable Portfolio. If an Account Owner selects a Years to Enrollment Portfolio, the investment return for an Account that has been assigned to that Years to Enrollment Portfolio will change over time as Units of relatively more aggressive Portfolios are converted by the Manager into Units of relatively more conservative Portfolios. See “The Program Trust Fund and the Portfolios — Years to Enrollment Portfolios — Automatic Reassignment of Accounts Assigned to Years to Enrollment Portfolios to Different Years to Enrollment Portfolios.”

Changes to Portfolios, Asset Allocation, and Underlying Fund(s); Rebalancing of Fixed Portfolios and Years to Enrollment Portfolios. If the Board changes the asset allocation or the Underlying Funds for a Fixed Portfolio or a Years to Enrollment Portfolio or the Underlying Fund for an Individual Fund Portfolio, the risks associated with participating in the Program may change as a result of such action by the Board. See “The Underlying Funds — Risk Factors and Special Considerations” in Appendix I. The Board is not obligated to circulate any notice or to update the Program Disclosure Statement in connection with any such change, but may do so if such change is determined by the Board to be material. See “Miscellaneous — Continuing Disclosure Undertaking.” Finally, the Portfolio reviews and rebalancings to be performed for the Fixed Portfolios and the Years to Enrollment Portfolios as described under the heading “Maintenance of Accounts — Rebalancing of Fixed Portfolios and Years to Enrollment Portfolios” will limit the ability of one investment sector or Underlying Fund to have a materially disproportionate positive effect on the investment performance of a Fixed Portfolio or a Years to Enrollment Portfolio.

Termination of the Services Agreement and Changes in Manager. A new Manager may be appointed either upon expiration of the initial term of the Services Agreement or earlier in the event Van Kampen or the Board terminates the Services Agreement prior to the end of the initial term. In such case, the fee and compensation structure of the new Manager may be higher than the fee and compensation structure of Van Kampen. In addition, the Program may achieve poorer investment performance under the successor Manager than it might have otherwise achieved.

No Guarantees With Respect to Eligible Educational Institution. Participation in the Program does not guarantee that any Designated Beneficiary: (i) will be accepted as a student by any Eligible Educational Institution; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any Eligible Educational Institution; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. Participation in the Program also does not guarantee that Alabama resident status will be conferred upon any Designated Beneficiary.

Potential Program Enhancements. The Board may offer enhancements to the Program, including additional investment options, after an Account Owner has established an Account. Account Owners who have established an Account before a Program enhancement has been made available may be precluded from participating in any such Program enhancement with respect to that Account, unless such participation is not prohibited under Section 529 of the Code and other applicable laws.

Other Considerations. An investment in the Program will not be the appropriate investment program for all investors. You should evaluate the Program and the Portfolios you select in the context of your overall financial situation, investment goals, time horizon, tax status, other resources and needs (such as liquidity), and other investments. If you consider yourself an especially aggressive or conservative investor, you may want to save for higher education by making investments in addition to, or other than through, the Program in order to pursue the investment strategy that is most appropriate for you.

Fees and Expenses Paid By Underlying Funds

.....

General. Each Portfolio will indirectly bear its proportional share of the fees and expenses incurred by the applicable Underlying Fund(s). Accordingly, the investment return of each Portfolio will be net of the fees and expenses of such Underlying Fund(s). The investment return of each Portfolio also will be net of Program-Level Fees and Expenses.

Sales Charges and Service (Rule 12b-1) Fees for Underlying Funds. All Program Trust Fund assets will be invested in Class A shares of the Underlying Funds. The Class A shares of each Underlying Fund, other than Van Kampen Reserve Fund and Van Kampen Limited Maturity Government Fund, are subject to a maximum annual service (Rule 12b-1) fee of 0.25% of the assets attributable to Class A shares of such Underlying Fund. The Class A shares of Van Kampen Reserve Fund and Van Kampen Limited Maturity Government Fund are subject to a maximum annual service (Rule 12b-1) fee of 0.15% of the assets attributable to Class A shares of such Underlying Funds. No sales charges (either initial sales charges or contingent deferred sales charges) will be imposed in connection with the purchase or sale of Class A Shares of any Underlying Fund held by the Program Trust Fund.

Expense Ratios of Underlying Funds. The total operating expense ratio for an Underlying Fund measures the annual operating expenses of an Underlying Fund as a percentage of its total net assets. For this purpose, operating expenses generally include investment advisory fees paid to Van Kampen or Van Kampen Investment Advisory, Rule 12b-1 fees paid to Van Kampen Funds or one of its affiliates, custody fees, shareholder reporting and accounting expenses, and expenses for audits and legal services. The total operating expense ratio for an Underlying Fund may change over time due to, among other things, changes in: (a) the rate or amount of such fees and expenses or (b) the total net assets of the Underlying Fund. A description of the expenses and the total operating expense ratio for each Underlying Fund is set forth in its current Prospectus and SAI.

Program-Level Fees and Expenses: Establishing Accounts Through Financial Advisors

.....

General and Eligibility. If neither the Account Owner nor the Designated Beneficiary of the Account is an Alabama resident at the time the Account is established, or if the Account Owner establishes an Account through a Financial Advisor, the Account Owner must select Unit Class A, Unit Class B, or Unit Class C on the Enrollment Form for each Account being established. If you want to establish an Account under Unit Class A, Unit Class B, or Unit Class C, you must use the Enrollment Form for Account Owners working with a Financial Advisor.

Not everyone is eligible to use every one of these Unit Classes. An Account will not be established under Unit Class B if the proposed Designated Beneficiary is 15 years old or older at the time of the proposed establishment of the Account. **If the Account Owner selects Unit Class B on the appropriate Enrollment Form and the Account is not eligible to be assigned to Unit Class B or if the Account Owner does not select a Unit Class on that Enrollment Form, then the Account will be assigned to Unit Class A.** In addition, under Unit Class B, the Designated Beneficiary for an Account may not be changed within six years after the most recent Contribution to such Account if the proposed Designated Beneficiary is 15 years old or older at the time of such proposed change.

Each Unit Class for a Portfolio represents an investment in the same pool of Underlying Fund shares. However, each Unit Class has its own sales charge and expense structure. After determining which of these Unit Classes you are eligible to use, you should decide which available Unit Class best suits your investment needs. In selecting a Unit Class, you should consider the size of your investment and the effect of all potential costs over the length of your investment, including sales charges, Program Management Fees, and Annual Account Fees. For example, in some cases, it can be more economical to choose Unit Class A and pay an initial sales charge than to choose a Unit Class that does not have an initial sales charge (i.e., Unit Class B or Unit Class C) but does have higher Program Management Fees and a deferred sales charge. You may establish separate Accounts under the Unit Classes for which such Accounts are eligible.

The Manager, Van Kampen Funds, or their affiliates may make payments out of their own resources to Independent Distributors for providing services intended to result in the establishment of Accounts and the making of Contributions or for engaging in Account-servicing activities. The table below shows some of the different fees and expenses for Accounts established under Unit Class A, Unit Class B, and Unit Class C.

	Unit Class A	Unit Class B#	Unit Class C
Maximum Initial Sales Charge	2.25%-		
As a percentage of Contribution	5.75%+	None	None
Maximum Deferred Sales Charge		2.00%-	
As a percentage of Contribution or Distribution Proceeds, whichever is lower	None	5.00%++	1.00%++
		0.75%-	
Program Management Fee *	0.25%	1.00%+++	1.00%
State Administration Fee **	0.10%	0.10%	0.10%
	\$10-	\$10-	\$10-
Annual Account Fee***	\$25	\$25	\$25

Class B Units will convert to Class A Units approximately eight years after purchase as described below under the subheading “Unit Class B and Unit Class C — Conversion of Class B Units to Class A Units.”

+ Under Unit Class A, the amount of the initial sales charge as a percentage of a Contribution will generally depend upon: (i) the aggregate dollar amount of Van Kampen Holdings and (ii) the Portfolio to which the applicable Account is assigned. See “Unit Class A — Initial Sales Charge Options” and “Unit Class A — Letter of Intent” below. Some Account Owners may be eligible to purchase Class A Units without the imposition of an initial sales charge. See “Unit Class A — Unit Value Purchase Option” below.

++ Under Unit Class B, the amount of a deferred sales charge as a percentage of a Distribution will vary based upon the Portfolio to which an Account is assigned and the number of years since the applicable Contribution was made. Under Unit Class C, whether a deferred sales charge will be imposed as a percentage of a Distribution will depend upon the number of years since the applicable Contribution was made. See “Unit Class B and Unit Class C — Deferred Sales Charge Options” below.

+++ Under Unit Class B, the Program Management Fee will vary based upon the Portfolio to which an Account is assigned.

* See “Program Management Fee” and “Dealer Concessions, Ongoing Trail Commissions, and Program Management Fee” below.

** See “State Administration Fee” below.

*** The amount of the Annual Account Fee will vary based upon the state of residence of the Account Owner and the Designated Beneficiary at the time the Annual Account Fee is imposed. Annual Account Fees may be waived under certain circumstances. See “Annual Account Fee” below.

Unit Class A

Initial Sales Charge Options. Under Unit Class A, an initial sales charge will be imposed as a percentage of each Contribution to an Account. Thus, under Unit Class A, only the amount of the Contribution after the deduction of the initial sales charge will be used to purchase Class A Units. The amount of the initial sales charge as a percentage of a Contribution will depend upon: (i) the aggregate dollar amount of Van Kampen Holdings for the Account and (ii) the Portfolio to which the Account is assigned. For purposes of the imposition of any initial sales charge under Unit Class A, “Van Kampen Holdings” means collectively: (a) shares of beneficial interest owned by the Account Owner, the Account Owner’s spouse, any of the Account Owner’s dependent children under the age of 21, and any corporation, partnership, or sole proprietorship which is 100% owned, either alone or in combination, by any of the foregoing, in certain open-end investment companies advised by Van Kampen or Van Kampen Investment Advisory and distributed by Van Kampen Funds as determined from time to time by the Boards of Trustees of such mutual funds, and (b) the aggregate Account Balances of all Accounts held by the Account Owner, the Account Owner’s spouse or any of the Account Owner’s dependent children under the age of 21 who are also Account Owners under the Program. To receive an initial sales charge reduction under Unit Class A, you or your Financial Advisor must let Van Kampen Funds know at the time you make a Contribution that you qualify for such a reduction. You will receive the initial sales charge reduction upon receipt of such notification and confirmation of your eligibility.

Account Owners qualifying for the reduced initial sales charges described below may find Unit Class A to be a particularly attractive option. Account Owners should contact their Financial Advisor to discuss the aggregate dollar amount of their Van Kampen Holdings and if they qualify for the reduced initial sales charges described below. In addition, Account Owners not qualifying for the reduced initial sales charges described below but who expect to maintain their investment under the Program for an extended period of time also may elect to use Unit Class A because over time the Program Management Fees for Unit Class B or Unit Class C may exceed the initial sales charges under Unit Class A.

An initial sales charge will be imposed on a Contribution to an Account under Unit Class A that is assigned to the Higher Education Fund Equity Portfolio, the Higher Education Fund Aggressive Portfolio 1, the Higher Education Fund Moderate Portfolio 1, the Higher Education Fund Conservative Portfolio 1, the Higher Education Fund Aggressive Portfolio 2, the Higher Education Fund Moderate Portfolio 2, the Higher Education Fund Conservative Portfolio 2, the Higher Education Fund Equity and Income Portfolio, the Higher Education Fund Comstock Portfolio, the Higher Education Fund Small Cap Value Portfolio, the Higher Education Fund Emerging Growth Portfolio, the Higher Education Fund Growth Portfolio, the Higher Education Fund Global Franchise Portfolio, or the Higher Education Fund International Advantage Portfolio in accordance with the table below.

Aggregate Dollar Amount of Van Kampen Holdings	Initial Sales Charge as a Percentage of Contribution	Initial Sales Charge as a Percentage of Your Investment	Dealer Concession* as a Percentage of Contribution
Less than \$50,000	5.75%	6.10%	5.00%
\$50,000 but less than \$100,000	4.75%	4.99%	4.00%
\$100,000 but less than \$250,000	3.75%	3.90%	3.00%
\$250,000 but less than \$500,000	2.75%	2.83%	2.25%
\$500,000 but less than \$1,000,000	2.00%	2.04%	1.75%
\$1,000,000 but less than \$2,000,000	0.00%	0.00%	1.00%**
\$2,000,000 but less than \$3,000,000	0.00%	0.00%	0.80%**
\$3,000,000 or more	0.00%	0.00%	0.50%**

An initial sales charge will be imposed on a Contribution to an Account under Unit Class A that is assigned to the Higher Education Fund Bond Portfolio, the Higher Education Fund Moderate Portfolio 3, the Higher Education Fund Conservative Portfolio 3, or the Higher Education Fund Government Securities Portfolio in accordance with the table below.

Aggregate Dollar Amount of Van Kampen Holdings	Initial Sales Charge as a Percentage of Contribution	Initial Sales Charge as a Percentage of Your Investment	Dealer Concession* as a Percentage of Contribution
Less than \$100,000	4.75%	4.99%	4.25%
\$100,000 but less than \$250,000	3.75%	3.90%	3.25%
\$250,000 but less than \$500,000	2.75%	2.83%	2.25%
\$500,000 but less than \$1,000,000	2.00%	2.04%	1.75%
\$1,000,000 but less than \$2,000,000	0.00%	0.00%	1.00%**
\$2,000,000 but less than \$3,000,000	0.00%	0.00%	0.80%**
\$3,000,000 or more	0.00%	0.00%	0.50%**

An initial sales charge will be imposed on a Contribution to an Account under Unit Class A that is assigned to the Higher Education Fund Short Term Income Portfolio, the Higher Education Fund Conservative Portfolio 4, or the Higher Education Fund Conservative Portfolio 5 in accordance with the table below.

Aggregate Dollar Amount of Van Kampen Holdings	Initial Sales Charge as a Percentage of Contribution	Initial Sales Charge as a Percentage of Your Investment	Dealer Concession* as a Percentage of Contribution
Less than \$25,000	2.25%	2.30%	2.00%
\$25,000 but less than \$250,000	1.75%	1.78%	1.50%
\$250,000 but less than \$500,000	1.50%	1.52%	1.25%
\$500,000 but less than \$1,000,000	1.25%	1.27%	1.00%
\$1,000,000 or more	0.00%	0.00%	0.50%**

* Under Unit Class A, the Dealer Concession is the portion of the initial sales charge that is received by Van Kampen Funds and paid to the Independent Distributor.

** No initial sales charge is payable in connection with a Contribution to an Account when the aggregate dollar amount of Van Kampen Holdings for the Account is \$1 million or more at the time of such Contribution. Van Kampen Funds may impose a deferred sales charge of 1.00% on certain Distributions that are taken from the Account within one year of such Contribution. In that instance, the deferred sales charge will apply to the lower of the original amount of such Contribution and the Distribution proceeds. Van Kampen Funds will pay a commission or transaction fee at the time of such Contribution directly out of its assets (and not out of such Contribution or Program Trust Fund assets) to the Independent Distributor in accordance with the table set forth above.

Letter of Intent. A Letter of Intent provides an opportunity for an Account Owner to obtain reduced initial sales charges by aggregating Contributions over a 13-month period as described below. For purposes of determining the applicable initial sales charge to be imposed in connection with a Contribution, the aggregate dollar amount of Van Kampen Holdings will be deemed to include: (a) all intended Contributions under the Letter of Intent over a 13-month period, plus (b) the value of all Van Kampen Holdings for the Account Owner as of the date of execution of the Letter of Intent. An Account Owner may elect to compute the 13-month period starting up to 90 days before the date of execution of the Letter of Intent. The reduced initial sales charge will apply to each Contribution made during the specified period. The initial Contribution after the date of execution of the Letter of Intent must equal or exceed 5% of the total amount of the investment goal under the Letter of Intent. The Letter of Intent does not preclude the suspension of the sale of Class A Units of any Portfolio or the termination of the Program.

If Contributions not initially made under a Letter of Intent subsequently qualify for a lower initial sales charge due to the above-described 90-day backdating provisions, an adjustment will be made upon the expiration of the Letter of Intent to give effect to the lower initial sales charge. Such adjustment in the initial sales charge will be used to purchase additional Class A Units. In the event the amount of Contributions made during the specified period does not equal or exceed the total amount of the investment goal under the Letter of Intent, the Account Owner must pay the difference between the amount of the initial sales charges actually paid during the specified period and the amount of the initial sales charges that should have been paid during the specified period based upon the Class A Units that were actually purchased. Van Kampen may, in its sole discretion, either liquidate sufficient Class A Units or bill the Account Owner to obtain such difference. No initial sales charge, deferred sales charge, fee, or other expenses will be incurred in connection with such a liquidation of Class A Units. The liquidation of Class A Units under these circumstances will not be treated as a Distribution nor will it be treated as a taxable event for federal income tax purposes. If the additional amount is billed and paid (instead of Class A Units being liquidated), such payment will be considered to be a Contribution to the Account, and may have tax consequences.

Van Kampen Funds may terminate or amend the Letter of Intent option at any time without notice.

Unit Value Purchase Option. Class A Units of a Portfolio may be purchased without the imposition of an initial sales charge by:

1. Current or retired trustees or directors of investment companies registered under the Investment Company Act of 1940 that are advised by Morgan Stanley and any of its subsidiaries and such persons' families and their beneficial accounts.
2. Current or retired directors, officers, and employees of Morgan Stanley and any of its subsidiaries; employees of an investment sub-advisor to any fund described in clause (1) above or an affiliate of such sub-advisor; and such persons' families and their beneficial accounts.
3. Directors, officers, employees and, when permitted, registered representatives, of Independent Distributors and their spouses and children under 21 years of age when making Contributions to Accounts for which they are the Account Owner.
4. Account Owners making Contributions through an Independent Distributor using the proceeds from: (a) a redemption of shares of an investment company that is registered under the Investment Company Act of 1940 that took place within the last 60 days and on which the Account Owner was subject to an initial sales charge or contingent deferred sales charge, or (b) a rollover or distribution from a Qualified Tuition Program that took place within the last 60 days and on which the Account Owner was subject to an initial sales charge or contingent deferred sales charge. This initial sales charge waiver must be requested when the applicable Contribution is made by the Account Owner. Van Kampen Funds may require evidence of qualification for this waiver.
5. Accounts for which registered investment advisors or financial planners charge a separate fee for their services, or trust companies and bank trust departments investing on behalf of their clients; provided such bank or broker-dealer has a separate agreement with Van Kampen Funds.
6. Account Owners who participate in an Automatic Payroll Deduction Plan offered by their employers; provided, however, that such employer must: (a) have established a pension, profit-sharing or other retirement plan, including a 401(k) plan, (i) with Van Kampen Funds pursuant to which such plan is eligible to purchase Class A shares of mutual funds managed by Van Kampen or Van Kampen Investment Advisory at net asset value, and, such employer has entered into a special arrangement with Van Kampen Funds to provide employee assistance and education concerning Qualified Tuition Programs, (ii) that has aggregate assets that satisfy the Manager's minimum requirements, or (iii) that has an average account size that satisfies the Manager's minimum requirements, or (b) satisfy the Manager's requirements with respect to the minimum number of eligible employees. A commission of up to 0.50% will be paid to authorized Independent Distributors who initiate and are responsible for such Contributions within a rolling 12-month period.
7. Such other persons that are approved by the Board and Van Kampen Funds from time to time and that are disclosed in this Program Disclosure Statement, any amendment or supplement hereto, or the current Supplement.

To receive an initial sales charge waiver under Unit Class A, you or your Financial Advisor must let Van Kampen Funds know at the time you make a Contribution that you qualify for such a waiver. You will receive the initial sales charge waiver upon receipt of such notification and confirmation of your eligibility.

Van Kampen Funds may terminate or amend the Unit Value Purchase Option at any time without notice.

Fee-Based Programs. Account Owners who pay separate fees to registered investment advisors or fee-based financial planners may purchase Class A Units without the imposition of an initial sales charge. In addition to the separate fees paid to such registered investment advisors or fee-based financial planners, these Accounts will be subject to: (a) the fees and expenses incurred by the Underlying Fund(s) for the Portfolio to which the Account is assigned, including service (Rule 12b-1) fees, (b) the Program Management Fee for Class A Units of 0.25%, and (c) the Annual Account Fee of either \$10 or \$25, subject to the conditions and limitations set forth below under the subheading "Annual Account Fee."

Unit Class B and Unit Class C

Deferred Sales Charge Options. Under Unit Class B and Unit Class C, an initial sales charge will not be imposed when a Contribution is made to an Account. As a result, the full amount of a Contribution will be used to purchase Class B Units or Class C Units, as applicable. However, a deferred sales charge will be imposed at the time of a Distribution from an Account assigned to Unit Class B and Unit Class C as set forth in the table below.

Years Since Contribution	Unit Class B (All Portfolios Except Short Term Income Portfolio)	Unit Class B (Short Term Income Portfolio Only)	Unit Class C
0-1	5.00%	2.00%	1.00%
1-2	4.00%	1.50%	0.00%
2-3	3.00%	1.00%	0.00%
3-4	2.50%	0.50%	0.00%
4-5	1.50%	0.00%	0.00%
6 and thereafter	0.00%	0.00%	0.00%

For each Distribution from an Account that is subject to a deferred sales charge, such sales charge will apply to the lower of the original amount of the Contribution and the Distribution proceeds. As a result, the deferred sales charge will not apply to any appreciation in the value of a Contribution above its original value. In determining whether a deferred sales charge applies to a Distribution from a particular Account, it is assumed that the Units that have been held in the Account for the longest period will be redeemed first and that the Units that have been held in the Account for the shortest period will be redeemed last. This approach generally will result in the lowest amount of deferred sales charges being paid.

Under Unit Class B and Unit Class C, Van Kampen Funds generally will pay a Dealer Concession to Independent Distributors in connection with Contributions to Accounts under those Unit Classes. Van Kampen Funds will pay such dealer concessions directly out of its own assets (and not out of Contributions or Program Trust Fund assets). For all Portfolios other than the Higher Education 529 Fund Short Term Income Portfolio, the Dealer Concession paid by Van Kampen Funds to Independent Distributors will equal 4.00% and 1.00% of the amount of any Contribution to an Account under Unit Class B and Unit Class C, respectively. For the Higher Education 529 Fund Short Term Income Portfolio, the Dealer Concession paid by Van Kampen Funds to Independent Distributors will equal 2.00% and 0.75% of the amount of any Contribution to an Account under Unit Class B and Unit Class C, respectively.

The deferred sales charge options under Unit Class B and Unit Class C may be particularly appealing to Account Owners that do not qualify for the above-described reductions in, or waivers from, the initial sales charges imposed under Unit Class A. However, while Class B and Class C Units do not have any initial sales charges, their higher ongoing annual expenses (due to higher Program Management Fees than Unit Class A) mean that over time you could end up paying higher fees for these Units than if you were to select the initial sales charge option for Class A Units. See “Program Management Fee” below. Prospective Account Owners who are considering a deferred sales charge option should choose Unit Class B only if they intend to hold their investments under the Program for an extended period of time because Class B Units convert to Class A Units as described below under the subheading “Conversion of Class B Units to Class A Units” or Unit Class C if they are uncertain as to how long they will invest under the Program. A Contribution to an Account under Unit Class B in the amount of \$100,000 or more generally will not be accepted.

Under Unit Class B or Unit Class C, the applicable deferred sales charge will be waived: (a) for Distributions from an Account that are made within one year of the death or disability (as defined by the Code) of the Account Owner or the Designated Beneficiary, as applicable, and (b) in connection with Account closings and Distributions initiated by the Board or the Manager as described in this Program Disclosure Statement under the heading “Distributions and Distribution Procedures — Account Closings and Distributions Initiated by the Board or the Manager” (except for Account closings and Distributions initiated by the Board or the Manager because the Account Owner or the Designated Beneficiary has provided false or misleading information to the Board or the Manager). To receive a deferred sales charge waiver, you or your Financial Advisor must let Van Kampen Funds know at the time you take a Distribution that you qualify for such a waiver. You will receive the deferred sales charge waiver upon receipt of such notification and confirmation of your eligibility.

Conversion of Class B Units to Class A Units. Approximately eight years after the initial Contribution to an Account assigned to Unit Class B, the Manager will establish a separate Account under Unit Class A. The Account established by the Manager under Unit Class A also will be governed by the Account Agreement, as amended and supplemented as of the establishment of that Account and from time to time thereafter. Class B Units will then be transferred to that Account eight years after the end of the calendar month in which such Class B Units were purchased. The Class B Units transferred to the Account established by the Manager under Unit Class A will then be subject to the Program Management Fee for Unit Class A (i.e., 0.25%) and will no longer be subject to the applicable Program Management Fee for Unit Class B. No initial sales charge, deferred sales charge, fee, or other expenses will be incurred in connection with the conversion of Class B Units to Class A Units. The conversion of Class B Units to Class A Units will not be treated as a Distribution, nor will it be treated as a taxable event for federal income tax purposes. **Class C Units will not convert into Class A Units.** The Unit Class for the Units held in an Account will not change except as described in this paragraph.

Program Management Fee

Van Kampen is compensated for providing the Services to the Program by a Program Management Fee based on Unit Class at the annual rate of each Portfolio's average daily net assets as set forth in the table below. The Program Management Fee for Unit Class A, Unit Class B, and Unit Class C accrues daily and is paid monthly to Van Kampen.

Unit Class A (All Portfolios)	Unit Class B (All Portfolios Except Short Term Income Portfolio)	Unit Class B (Short Term Income Portfolio Only)	Unit Class C (All Portfolios)
0.25%	1.00%	0.75%	1.00%

A portion of the Program Management Fee for Unit Class B and Unit Class C will be paid to Van Kampen Funds to support the Program's marketing and distribution efforts, such as compensating Financial Advisors and other financial intermediaries. Because the difference between the size of the Program Management Fee for Unit Class A and the size of the Program Management Fee for Unit Class B and Unit Class C is paid out of the assets of each Portfolio that are attributable to Unit Class B and Unit Class C, the Unit Value for Class B Units and Class C Units will be lower than the Unit Value for Class A Units. Over time, this fee will increase the cost of an investment under the Program and may cost the Account Owner more than other types of sales charges described under this heading.

State Administration Fee

The State Administration Fee will be assessed at the annual rate of 0.10% of the average daily net assets of each Portfolio that are attributable to Unit Class A, Unit Class B, and Unit Class C. The State Administration Fee for such Unit Classes accrues daily and is paid on a monthly basis.

Annual Account Fee

Except as set forth below, in June of each calendar year, a \$25 Annual Account Fee will be imposed against each Account for which neither the Account Owner nor the Designated Beneficiary is an Alabama resident and a \$10 Annual Account Fee will be imposed against each Account for which either the Account Owner or the Designated Beneficiary is an Alabama resident. **For purposes of assessing any Annual Account Fee, all Accounts held by an Account Owner on behalf of the same Designated Beneficiary under all Unit Classes, including Unit Class S, will be deemed to be a single Account.** All Annual Account Fees for a calendar year will be waived if the aggregate Account Balance in all Accounts held by an Account Owner on behalf of the same Designated Beneficiary exceeds \$25,000 as of June 1 of that calendar year. Units held in an Account may be liquidated to pay an Annual Account Fee. Subject to the limitations described above: (a) if an Account is established after June 1 of a calendar year, the applicable Annual Account Fee will be imposed in December based upon an Account Balance assessment that will take place on December 1, and (b) the state of residence of the Account Owner and the Designated Beneficiary on the Manager's books and records as of June 1 or December 1, as applicable, will control in determining whether the \$25 Annual Account Fee or the \$10 Annual Account Fee will be imposed.

Dealer Concessions, Ongoing Trail Commissions, and Program Management Fee

Under the Program, Independent Distributors will receive compensation from Van Kampen Funds in connection with the establishment and servicing of Accounts in the form of a Dealer Concession, an Ongoing Trail Commission, and a portion of the Program Management Fee under Unit Class B and Unit Class C. The Dealer Concession is the portion of the initial sales charge under Unit Class A or the portion of the deferred sales charge under Unit Class B and Unit Class C that is received by Van Kampen Funds and paid to the Independent Distributor. The Ongoing Trail Commission is an ongoing fee that will be paid to an Independent Distributor from the service (Rule 12b-1) fees that are paid by the Underlying Funds. As set forth above in this section under the subheading “Program Management Fee,” a portion of the Program Management Fee for Unit Class B and Unit Class C will be paid to Van Kampen Funds and will be used by Van Kampen Funds to support the Program’s marketing and distribution efforts.

Fees and Expenses Subject to Change

The amount of the Program-Level Fees and Expenses described under this heading may be changed by the Board at any time and any number of times without prior notice. New fees and expenses, including a termination fee for Accounts being closed, may be charged in the future.

Portfolio Expense Ratios

In general, the expense ratio for a Fixed Portfolio or a Years to Enrollment Portfolio will be a weighted average of the expense ratios of the Underlying Funds for that Portfolio plus applicable Program-Level Fees and Expenses. The expense ratio for an Individual Fund Portfolio generally will be the expense ratio of the Underlying Fund for that Portfolio plus applicable Program-Level Fees and Expenses.

As described in this Program Disclosure Statement under the headings “The Program Trust Fund and the Portfolios — Fixed Portfolios” and “The Program Trust Fund and the Portfolios — Individual Fund Portfolios,” an Account that has been assigned to a Fixed Portfolio or an Individual Fund Portfolio will remain assigned to that Portfolio unless Investment Selection Changes are made for that Account. The expense ratios for the Fixed Portfolios and the Individual Fund Portfolios will change over time due to changes in the expense ratios for the applicable Underlying Fund(s). The expense ratio for a Fixed Portfolio also may change due to changes in the asset allocation by investment sector for the Fixed Portfolio, if Underlying Funds are added to or removed from the Fixed Portfolio, or if Program-Level Fees and Expenses change. The expense ratio for an Individual Fund Portfolio also may change if the Underlying Fund for that Individual Fund Portfolio changes or if Program-Level Fees and Expenses change.

As described in this Program Disclosure Statement under the heading “The Program Trust Fund and the Portfolios — Years to Enrollment Portfolios,” an Account generally will not remain assigned to the Years to Enrollment Portfolio to which it is initially assigned. In general, as the number of Years to Enrollment for the Designated Beneficiary of the Account decreases, the Account will be automatically reassigned to a different Years to Enrollment Portfolio. The expense ratio for the Account will then correspond to the expense ratio for the Years to Enrollment Portfolio to which the Account has been reassigned. Assuming the Account Owner does not change the investment option for such an Account (e.g., change to a Fixed Portfolio or an Individual Fund Portfolio), in general, the aggregate expense ratio for the Account will be a time-weighted average of the expense ratios for the particular Years to Enrollment Portfolios to which the Account is assigned over time. The expense ratio for a Years to Enrollment Portfolio will change over time due to changes in the expense ratios of the applicable Underlying Funds. The expense ratio for a Years to Enrollment Portfolio also may change due to changes in the asset allocation of the Years to Enrollment Portfolio, if Underlying Funds are added to or removed from the Years to Enrollment Portfolio, or if Program-Level Fees and Expenses change.

The estimated expense ratio for each Portfolio under Unit Class A, Unit Class B, and Unit Class C is set forth below. **These expense ratios are based upon the expense ratio for Class A shares of each Underlying Fund for its most recently completed fiscal year as set forth in its current Prospectus* and reflect the imposition of the applicable Program Management Fee and the State Administration Fee. However, the estimated expense ratios set forth below do not reflect the imposition of any initial sales charges, deferred sales charges, or any Annual Account Fee. If such fees were included, these estimated expense ratios would have been higher.**

Portfolio Name	Unit Class A		Unit Class B		Unit Class C	
	Estimated Expense Ratios: With Underlying Fund Fee Waivers and Expense Reimbursements **	Estimated Expense Ratios: Without Underlying Fund Fee Waivers and Expense Reimbursements **	Estimated Expense Ratios: With Underlying Fund Fee Waivers and Expense Reimbursements **	Estimated Expense Ratios: Without Underlying Fund Fee Waivers and Expense Reimbursements **	Estimated Expense Ratios: With Underlying Fund Fee Waivers and Expense Reimbursements **	Estimated Expense Ratios: Without Underlying Fund Fee Waivers and Expense Reimbursements **
Higher Education Fund Equity Portfolio	1.73%	2.12%	2.48%	2.87%	2.48%	2.87%
Higher Education Fund Bond Portfolio	1.37	1.37	2.12	2.12	2.12	2.12
Higher Education Fund Short Term Income Portfolio70	1.17	1.20	1.67	1.45	1.92
Higher Education Fund Aggressive Portfolio 1	1.73	2.12	2.48	2.87	2.48	2.87
Higher Education Fund Moderate Portfolio 1	1.58	1.85	2.33	2.60	2.33	2.60
Higher Education Fund Conservative Portfolio 1	1.40	1.53	2.15	2.28	2.15	2.28
Higher Education Fund Aggressive Portfolio 2	1.67	1.99	2.42	2.74	2.42	2.74
Higher Education Fund Moderate Portfolio 2	1.53	1.77	2.28	2.52	2.28	2.52
Higher Education Fund Conservative Portfolio 2	1.34	1.46	2.09	2.21	2.09	2.21
Higher Education Fund Moderate Portfolio 3	1.53	1.77	2.28	2.52	2.28	2.52
Higher Education Fund Conservative Portfolio 3	1.34	1.46	2.09	2.21	2.09	2.21
Higher Education Fund Conservative Portfolio 4	1.26	1.37	2.01	2.12	2.01	2.12
Higher Education Fund Conservative Portfolio 5	1.21	1.30	1.96	2.05	1.96	2.05
Higher Education Fund Equity and Income Portfolio	1.17	1.17	1.92	1.92	1.92	1.92
Higher Education Fund Comstock Portfolio	1.24	1.24	1.99	1.99	1.99	1.99
Higher Education Fund Small Cap Value Portfolio	1.85	1.94	2.60	2.69	2.60	2.69
Higher Education Fund Emerging Growth Portfolio	1.50	1.50	2.25	2.25	2.25	2.25
Higher Education Fund Growth Portfolio	1.89	1.89	2.64	2.64	2.64	2.64
Higher Education Fund Global Franchise Portfolio	1.97	1.97	2.72	2.72	2.72	2.72
Higher Education Fund International Advantage Portfolio	2.10	5.20	2.85	5.95	2.85	5.95
Higher Education Fund Government Securities Portfolio	1.35	1.35	2.10	2.10	2.10	2.10

* As of the date of this Program Disclosure Statement, the dates of the most recent Prospectuses for the Underlying Funds are as follows: Van Kampen Emerging Growth Fund (December 30, 2003); Van Kampen Growth and Income Fund (March 28, 2003); Van Kampen Equity and Income Fund (April 30, 2003); Van Kampen Value Opportunities Fund (July 31, 2003); Van Kampen Comstock Fund (April 30, 2003); Van Kampen Growth Fund (July 31, 2003, as supplemented September 30, 2003); Van Kampen Small Cap Value Fund (July 31, 2003); Van Kampen International Advantage Fund (December 30, 2003); Van Kampen International Magnum Fund (October 31, 2003); Van Kampen Global Franchise Fund (October 31, 2003); Van Kampen High Income Corporate Bond Fund (December 30, 2003); Van Kampen Corporate Bond Fund (December 30, 2003); Van Kampen Government Securities Fund (January 30, 2003); Van Kampen Limited Maturity Government Fund (April 30, 2003); and Van Kampen Reserve Fund (September 30, 2003).

** Van Kampen recently waived a portion of the investment advisory fees and reimbursed additional expenses for Van Kampen Value Opportunities Fund, Van Kampen International Advantage Fund and Van Kampen Limited Maturity Government Fund while Van Kampen Investment Advisory recently waived a portion of the investment advisory fees and reimbursed additional expenses for Van Kampen Small Cap Value Fund and Van Kampen International Magnum Fund. In addition, Van Kampen recently waived a portion of the investment advisory fee and reimbursed additional expenses for, and Van Kampen Funds made certain non-recurring payments to, Van Kampen Reserve Fund. The estimated expense ratios that appear in the columns "Estimated Expense Ratios: With Underlying Fund Fee Waivers and Expense Reimbursements" include the effect of the fee waivers and expense reimbursements. The estimated expense ratios that appear in the columns "Estimated Expense Ratios: Without Underlying Fund Fee Waivers and Expense Reimbursements" have been restated for each Portfolio to assume the absence of any such fee waivers and expense reimbursements because Van Kampen and/or Van Kampen Investment Advisory may discontinue or reduce such fee waivers and/or expense reimbursements and Van Kampen Funds may discontinue or reduce such non-recurring payments at any time without notice.

Program-Level Fees and Expenses: Direct Participation by Alabama Residents

.....

Unit Class S

Accounts may be established under Unit Class S only if: (a) the Account is opened directly through Van Kampen Funds (and without a Financial Advisor), and (b)(i) the Account Owner for such Account is an Alabama resident at the time the Account is established, or (ii) the Designated Beneficiary for such Account is an Alabama resident at the time the Account is established.

Annual Account Fee and Service (Rule 12b-1) Fees

Except as set forth below, in June of each calendar year, a \$10 Annual Account Fee will be imposed against each Account for which either the Account Owner or the Designated Beneficiary is an Alabama resident and a \$25 Annual Account Fee will be imposed against each Account for which neither the Account Owner nor the Designated Beneficiary is an Alabama resident. **For purposes of assessing any Annual Account Fee, all Accounts held by an Account Owner on behalf of the same Designated Beneficiary under all Unit Classes, including Unit Class A, Unit Class B, and Unit Class C, will be deemed to be a single Account.** All Annual Account Fees for a calendar year will be waived if the aggregate Account Balance of all Accounts held by an Account Owner on behalf of the same Designated Beneficiary exceeds \$25,000 as of June 1 of that calendar year. Units held in an Account may be liquidated to pay an Annual Account Fee. Subject to the limitations described above: (a) if an Account is established after June 1 of a calendar year, the applicable Annual Account Fee will be imposed in December based upon an Account Balance assessment that will take place on December 1, and (b) the state of residence of the Account Owner and the Designated Beneficiary on the Manager's books and records as of June 1 or December 1, as applicable, will control in determining whether the \$10 Annual Account Fee or the \$25 Annual Account Fee will be imposed. Under Unit Class S, Van Kampen Funds will receive the service (Rule 12b-1) fees that are paid by the Underlying Funds for performing Account-servicing activities.

Fees and Expenses Subject to Change

The amount of the Program-Level Fees and Expenses described under this heading may be changed by the Board at any time and any number of times without prior notice. New fees and expenses, including a termination fee for Accounts being closed, may be charged in the future.

Portfolio Expense Ratios

In general, the expense ratio for a Fixed Portfolio or a Years to Enrollment Portfolio will be a weighted average of the expense ratios of the Underlying Funds for that Portfolio plus applicable Program-Level Fees and Expenses. The expense ratio for an Individual Fund Portfolio generally will be the expense ratio of the Underlying Fund for that Portfolio plus applicable Program-Level Fees and Expenses. For a more complete description of the expense ratios for Fixed Portfolios, Individual Fund Portfolios, and Years to Enrollment Portfolios, please see "Program-Level Fees and Expenses: Establishing Accounts Through Financial Advisors — Portfolio Expense Ratios."

The estimated expense ratio for each Portfolio under Unit Class S is set forth below. These expense ratios are based upon the expense ratio for Class A shares of each Underlying Fund for its most recently completed fiscal year as set forth in its current Prospectus*. However, these estimated expense ratios do not reflect the imposition of any Annual Account Fee. If such fees were included, these estimated expense ratios would have been slightly higher.

Portfolio Name	Unit Class S	
	Estimated Expense Ratios: With Fee Waivers and Expense Reimbursements **	Estimated Expense Ratios: Without Fee Waivers and Expense Reimbursements**
Higher Education Fund Equity Portfolio	1.38%	1.77%
Higher Education Fund Bond Portfolio	1.02	1.02
Higher Education Fund Short Term Income Portfolio	.35	.82
Higher Education Fund Aggressive Portfolio 1	1.38	1.77
Higher Education Fund Moderate Portfolio 1	1.23	1.50
Higher Education Fund Conservative Portfolio 1	1.05	1.18
Higher Education Fund Aggressive Portfolio 2	1.32	1.64
Higher Education Fund Moderate Portfolio 2	1.18	1.42
Higher Education Fund Conservative Portfolio 2	.99	1.11
Higher Education Fund Moderate Portfolio 3	1.18	1.42
Higher Education Fund Conservative Portfolio 3	.99	1.11
Higher Education Fund Conservative Portfolio 4	.91	1.02
Higher Education Fund Conservative Portfolio 5	.86	.95
Higher Education Fund Equity and Income Portfolio	.82	.82
Higher Education Fund Comstock Portfolio	.89	.89
Higher Education Fund Small Cap Value Portfolio	1.50	1.59
Higher Education Fund Emerging Growth Portfolio	1.15	1.15
Higher Education Fund Growth Portfolio	1.54	1.54
Higher Education Fund Global Franchise Portfolio	1.62	1.62
Higher Education Fund International Advantage Portfolio	1.75	4.85
Higher Education Fund Government Securities Portfolio	1.00	1.00

* As of the date of this Program Disclosure Statement, the dates of the most recent Prospectuses for the Underlying Funds are as follows: Van Kampen Emerging Growth Fund (December 30, 2003); Van Kampen Growth and Income Fund (March 28, 2003); Van Kampen Equity and Income Fund (April 30, 2003); Van Kampen Comstock Fund (April 30, 2003); Van Kampen Growth Fund (July 31, 2003, as supplemented September 30, 2003); Van Kampen Small Cap Value Fund (July 31, 2003); Van Kampen International Advantage Fund (December 30, 2003); Van Kampen International Magnum Fund (October 31, 2003); Van Kampen Global Franchise Fund (October 31, 2003); Van Kampen High Income Corporate Bond Fund (December 30, 2003); Van Kampen Corporate Bond Fund (December 30, 2003); Van Kampen Government Securities Fund (January 30, 2003); Van Kampen Limited Maturity Government Fund (April 30, 2003); and Van Kampen Reserve Fund (September 30, 2003).

** Van Kampen recently waived a portion of the investment advisory fees and reimbursed additional expenses for Van Kampen International Advantage Fund and Van Kampen Limited Maturity Government Fund while Van Kampen Investment Advisory recently waived a portion of the investment advisory fees and reimbursed additional expenses for Van Kampen Small Cap Value Fund and Van Kampen International Magnum Fund. In addition, Van Kampen recently waived a portion of the investment advisory fee and reimbursed additional expenses for, and Van Kampen Funds made certain non-recurring payments to, Van Kampen Reserve Fund. The estimated expense ratios that appear in the columns "Estimated Expense Ratios: With Underlying Fund Fee Waivers and Expense Reimbursements" include the effect of the fee waivers and expense reimbursements. The estimated expense ratios that appear in the columns "Estimated Expense Ratios: Without Underlying Fund Fee Waivers and Expense Reimbursements" have been restated for each Portfolio to assume the absence of any such fee waivers and expense reimbursements because Van Kampen and/or Van Kampen Investment Advisory may discontinue or reduce such fee waivers and/or expense reimbursements and Van Kampen Funds may discontinue or reduce such non-recurring payments at any time without notice.

Establishing an Account

.....

General. To establish an Account on behalf of a Designated Beneficiary a prospective Account Owner must:

- submit a completed Enrollment Form to the Manager (subject to the Board’s or the Manager’s right to reject such form if it has not been fully, properly, and accurately completed), and
- submit, or cause to be submitted, an initial Contribution to the Account being established that satisfies the applicable minimum initial Contribution requirement or authorize an Automatic Investment Plan, Automatic Payroll Deduction Plan (for eligible Account Owners only), or Systematic Exchange Plan for the Account being established in an amount that satisfies applicable requirements.

Enrollment Form. On the Enrollment Form, an Account Owner may also be required to provide certain information, including the name, address, citizenship or residency status, social security (or tax identification) number, and date of birth of the Account Owner and the Designated Beneficiary, and such other information as the Board or the Manager may require from time to time. An Account Owner may establish multiple Accounts on behalf of a single Designated Beneficiary by using a single Enrollment Form.

By completing and signing the Enrollment Form, the Account Owner:

- acknowledges that the Account Owner has received and read this Program Disclosure Statement and the current Supplement, and
- agrees to be bound by the Account Agreement, the Act, and the Rules with respect to each Account established by such Account Owner pursuant to the submission to the Manager and the Manager’s acceptance of: (a) such Enrollment Form, (b) a Change of Investment Selections Form, or (c) a Change of Designated Beneficiary Form.

Account Owners. If the Account Owner is a natural person, the Account Owner must be a citizen or a resident of the United States and must be at least 19 years old. The Account Owner is not required to be an Alabama resident. A state or local government within the United States, a corporation or a trust that is validly existing under the laws of any state or the District of Columbia, or an estate (other than a foreign estate) may also be an Account Owner.

Designated Beneficiaries. Except as described below, on the Enrollment Form an Account Owner must identify a Designated Beneficiary whose Qualified Higher Education Expenses are expected to be paid from the Account.

The Designated Beneficiary may be any natural person, including the Account Owner. The Account Owner and Designated Beneficiary are not required to be related to one another. The Designated Beneficiary is not required to be an Alabama resident but must be a citizen or a resident of the United States. The Designated Beneficiary can be of any age.

With respect to an Account that is established as part of a scholarship program operated by a state or local government, or by an organization described in Section 501(c)(3) of the Code, a Designated Beneficiary is not required to be identified on the Enrollment Form at the time the Account is established. Such government or organization must identify the Designated Beneficiary prior to any Distribution from such Account.

For information concerning changing the Designated Beneficiary for an Account, see “Maintenance of Accounts — Changing the Designated Beneficiary for an Account.”

Investment Selections. Accounts will be initially assigned to the Portfolio(s) selected by the Account Owner on the Enrollment Form, the Change of Investment Selections Form, or the Change of Designated Beneficiary Form.

If an Account Owner selects a Years to Enrollment Portfolio, the Account Owner must also identify the number of Years to Enrollment for the Designated Beneficiary of the Account. An Account Owner may select more than one Years to Enrollment period for Accounts held on behalf of the same Designated Beneficiary. See “The Program Trust Fund and the Portfolios.”

Unit Classes. The Program offers four Unit Classes. They are Unit Class A, Unit Class B, Unit Class C, and Unit Class S. The fees and expenses associated with each Unit Class differ. Also, not everyone is eligible to use every Unit Class. You may establish separate Accounts under the Unit Classes for which such Accounts are eligible.

If neither the Account Owner nor the Designated Beneficiary of the Account is an Alabama resident at the time an Account is established, or if the Account Owner establishes an Account through a Financial Advisor, the Account Owner must select Unit Class A, Unit Class B or Unit Class C on the Enrollment Form for each Account being established. Please see “Program-Level Fees and Expenses: Establishing Accounts Through Financial Advisors” for more information about Unit Class A, Unit Class B, and Unit Class C. If you want to establish an Account under Unit Class A, Unit Class B, or Unit Class C, you must use the Enrollment Form for Account Owners working with a Financial Advisor. An Account will not be established under Unit Class B if the proposed Designated Beneficiary is 15 years old or older at the time of the proposed establishment of the Account. **If the Account Owner selects Unit Class B on the appropriate Enrollment Form and the Account is not eligible to be assigned to Unit Class B or if the Account Owner does not select a Unit Class on that Enrollment Form, then the Account will be assigned to Unit Class A.** In addition, under Unit Class B, the Designated Beneficiary for an Account may not be changed within six years after the most recent Contribution to such Account if the proposed Designated Beneficiary is 15 years old or older at the time of such proposed change.

If either the Account Owner or the Designated Beneficiary is an Alabama resident at the time an Account is established and the Account Owner establishes an Account directly through Van Kampen Funds (and without a Financial Advisor), the Account is eligible for Unit Class S. Please see “Program-Level Fees and Expenses: Direct Participation by Alabama Residents” for more information about Unit Class S. If you want to establish an Account under Unit Class S and are eligible to do so, you must use the Enrollment Form for Account Owners who are not working with a Financial Advisor.

Except for the automatic conversion of Class B Units to Class A Units as described under the heading “Program — Level Fees and Expenses: Establishing Accounts Through Financial Advisors — Conversion of Class B Units to Class A Units,” the Unit Class for the Units held in an Account will not change. An Account Owner may not select a new Unit Class in connection with: (a) any Investment Selection Change for all or a portion of the Account Balance in an Account, or (b) any change of Designated Beneficiary for all or a portion of the Account Balance in an Account.

Successor Account Owners. The Account Owner may designate a successor Account Owner on the Enrollment Form or any other form approved for such purpose. The successor Account Owner shall assume all of the rights and responsibilities of the current Account Owner with respect to an Account upon the death, resignation, or refusal to act of the current Account Owner, except as set forth below. Such designation must be in writing and is not effective until received by the Manager. A designation executed by an Account Owner prior to his or her death that is accepted following the Account Owner’s death will govern distributions following (but not prior to) the Manager’s acceptance of the designation. The successor Account Owner shall execute such forms as the Manager may require to assume all the rights and responsibilities as Account Owner. The Account Agreement, as amended and supplemented from time to time, shall be binding upon all successor Account Owners of an Account.

If the Designated Beneficiary is at least 19 years old, the Designated Beneficiary may be named as the successor Account Owner. Notwithstanding the foregoing, if the source of any Contribution made to the Account was a UGMA/UTMA account, the Account Owner shall be removed or replaced, and the successor Account Owner may become the Account Owner, only in accordance with the applicable UGMA/UTMA laws. **In the event there is a dispute relating to who is duly authorized to act with respect to an Account, the Manager may, in its sole discretion, refuse to accept any Contribution to an Account or to make any Distribution from an Account until such dispute is resolved to its satisfaction.**

Contributions

.....

Contributions by Check. Certain minimum Contribution rules generally apply in connection with the establishment of an Account. The initial Contribution to an Account by check must equal or exceed:

- \$1,000 for each Account for which neither the Account Owner nor the Designated Beneficiary is an Alabama resident at the time such Account is established, or
- \$250 for each Account for which either the Account Owner or the Designated Beneficiary is an Alabama resident at the time such Account is established.

Subsequent Contributions to an Account by check must equal or exceed \$25 for each existing Account.

All checks should be made payable to “Higher Education 529 Fund.” You may use one check in connection with Contributions to multiple Accounts held on behalf of the same Designated Beneficiary, but the amount of the Contribution to each Account must equal or exceed the minimum initial Contribution limit or the minimum subsequent Contribution limit for that Account, as applicable. If the Units that are the subject of a Distribution Request were recently purchased by check, payment of the Distribution may be delayed until the Manager or its agent confirms that the check has cleared. This delay may take up to 15 calendar days from the date of purchase of such Units.

Contributions by Automatic Investment Plan, Automatic Payroll Deduction Plan or Other Similar Method. Contributions to an Account may also be made through: (a) an Automatic Investment Plan, (b) an Automatic Payroll Deduction Plan (for eligible Account Owners only), or (c) such other methods as may be permitted by the Manager from time to time. For Contributions to be made through an Automatic Investment Plan, the Account Owner may authorize the use of that option on the Enrollment Form or the Account Services Form or such other form as is provided by the Manager. For eligible Account Owners to make a Contribution to an Account through an Automatic Payroll Deduction Plan, such Account Owner must authorize the use of that option on the Enrollment Form or such other form as is provided by the Manager. If the Account Owner authorizes an Automatic Investment Plan or an Automatic Payroll Deduction Plan for an Account, all Contributions to that Account under such Plan must equal or exceed \$25 per month, \$75 per quarter, \$150 semiannually, or \$300 annually, depending upon the frequency of Contributions to that Account under such Plan. An Account Owner may change the bank account that is used in connection with an Automatic Investment Plan by submitting a completed Account Services Form to the Manager.

Crediting of Contributions and Unit Value. The Unit Value for the Units for each Portfolio will be calculated by the Manager on each Business Day as of the close of business on the NYSE (generally, 4:00 p.m. Eastern Time) based upon the net asset value per share of the Underlying Fund shares and the number of such shares held in each Portfolio at the time of calculation. The net asset value of such Underlying Fund shares will be determined in accordance with its then currently effective registration statement. If the Manager determines that a Contribution has been received in good order on a Business Day prior to the close of business on the NYSE (generally, 4:00 p.m. Eastern Time), the Manager will credit such Contribution to the Account at the applicable Unit Value that is calculated for that Business Day. If the Manager determines that a Contribution has been received in good order on a day other than a Business Day or after the close of business on the NYSE (generally, 4:00 p.m. Eastern Time), the Manager will credit such Contribution to the Account at the applicable Unit Value that is calculated for the next Business Day. It is the responsibility of Independent Distributors and Account Owners to transmit Contributions so they are received by the Manager in a timely manner. After a Contribution has been credited to an Account and the funds are available, the Manager will take appropriate action with respect to the Portfolio to cause such Contribution to be invested in accordance with the asset allocation for that Portfolio.

The Manager will separately maintain each Account. However, Contributions to an Account, less any sales charges, fees and expenses, and the earnings thereon, if any, will be commingled with Contributions to other Accounts for purposes of investment. Prior to the investment of a Contribution in shares of Underlying Funds, such Contribution may be invested by the Manager on behalf of the applicable Portfolio in overnight repurchase agreements with certain financial institutions.

Tax-Free Rollovers to the Program. Any person or entity using the Transfer/Rollover Form in connection with a Contribution to an Account should indicate on that form whether the Contribution is a Tax-Free Rollover from a Coverdell ESA, a qualified U.S. Savings Bond, or a Qualified Tuition Program, including the Program. If the Contribution is a Tax-Free Rollover, the person or entity making a Contribution must provide the Manager with appropriate documentation acceptable to the Manager showing the earnings portion of the Contribution, so that the appropriate amount of earnings may be reflected in the Account to which the Rollover Contribution is made. Until appropriate documentation is received, the entire amount of such Contribution will be recorded as earnings in the Account. For this purpose, appropriate documentation may include:

- in the case of a Tax-Free Rollover Contribution from a Coverdell ESA, an account statement issued by the financial institution that acted as trustee or custodian of the Coverdell ESA that shows basis and earnings in the account,
- in the case of a Tax-Free Rollover Contribution from the redemption of a qualified U.S. Savings Bond, an account statement or federal tax form issued by the financial institution that redeemed the bond showing interest from the redemption of the bond, and
- in the case of a Tax-Free Rollover Contribution from a Qualified Tuition Program, including the Program, a statement issued by the Qualified Tuition Program making the distribution that shows the earnings portion of the distribution.

A Tax-Free Rollover Distribution may be made from an account in another Qualified Tuition Program for the same Designated Beneficiary as long as the rollover does not occur within 12 months from the date of a previous rollover to any Qualified Tuition Program for the benefit of the same Designated Beneficiary. A rollover from the Program for the same Designated Beneficiary to the same or another Account within the Program will not qualify as a Tax-Free Rollover. A Tax-Free Rollover Distribution from an account in another Qualified Tuition Program may have adverse tax consequences to you, including the recapture of previously allowed state income tax deductions under the laws of any state allowing such deductions and the loss of other state tax benefits. You should consult a qualified tax advisor before rolling over amounts from a Qualified Tuition Program.

Maximum Account Balance Limitation. No Contribution to an Account for a Designated Beneficiary will be permitted if the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary equals or exceeds the Maximum Account Balance Limitation. If the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary later falls below the Maximum Account Balance Limitation, additional Contributions to any Account for the Designated Beneficiary will be permitted. If the amount of a Contribution, when added to the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary would exceed the Maximum Account Balance Limitation, the amount of the Contribution in excess of the Maximum Account Balance Limitation will not be accepted as a Contribution and will be returned to the Account Owner. **The Maximum Account Balance Limitation is not based on the aggregate amount of Contributions made to Accounts under the Program.**

As set forth above, the Maximum Account Balance Limitation is applied by reference to the total value of all Accounts under the Program and PACT Program contracts held on behalf of the same Designated Beneficiary, regardless of who the Account Owner or contract-holder is. For purposes of the Maximum Account Balance Limitation only, the value of any PACT Program contract will be deemed to be equal to the single payment purchase price available during the most recent PACT Program enrollment period for a contract with the same enrollment year as the Designated Beneficiary's PACT Program contract. For example, in the most recent PACT enrollment period, which closed in October 2003, contracts could be purchased for a student with a projected enrollment year of 2010-2011 for \$18,515. Therefore, the deemed current value for any PACT Program contract with a projected enrollment year of 2010-2011 would be \$18,515, for purposes of applying the Maximum Account Balance Limitation. If the Designated Beneficiary's enrollment year under the PACT Program contract is an enrollment year for which contracts could no longer be purchased (e.g., in the 2003 enrollment period, contracts may not be purchased for the enrollment years beginning before 2007-2008), the Program will deem the value of the Designated Beneficiary's PACT Program contract to be equal to the projected tuition cost for the earliest future year with a projected cost in the most recently published PACT Program brochure. For example, in 2003, the projected tuition cost published in the PACT Program brochure for 135 semester hours with a projected enrollment year of 2007-2008, is \$28,363, and the brochure did not provide a projected tuition cost for any earlier year. Thus, after the close of the PACT Program enrollment period for 2003, the value of any contract with a projected enrollment year beginning in 2004, 2005, or 2006, would be deemed to be \$28,363. This deemed value will be subject to adjustment on an annual basis. For purposes of determining the value of the PACT Program contract, the contract will be deemed to have the value described above, even if an extended payment plan is

used to purchase the PACT Program contract and all payments have not yet been made. In the event that the total value of all Accounts under the Program and PACT Program contracts held on behalf of a Designated Beneficiary equals or exceeds the Maximum Account Balance Limitation at a time when payments are being made to the PACT Program under an extended payment plan, the Board may, to the extent required by federal law, require an Account Owner of an Account for such Designated Beneficiary to receive a Distribution from the Account. A Distribution in such circumstances may be subject to income taxes and additional tax penalties. See “Tax Matters — Taxable Distributions” and “— Tax Penalties on Distributions.”

The Maximum Account Balance Limitation is the amount established for each calendar year that is equal to the amount that the Board determines is reasonably necessary to pay tuition, required fees, and room and board expenses of the Designated Beneficiary for five years of undergraduate enrollment at the highest cost Eligible Educational Institution and for two years of graduate enrollment at the highest cost Eligible Educational Institution, rounded down to the nearest \$1,000. Only amounts of tuition, required fees, and room and board expenses that constitute Qualified Higher Education Expenses shall be taken into account for these purposes.

The current Maximum Account Balance Limitation is set forth in the current Supplement. The Maximum Account Balance Limitation may be adjusted in the future and Account Owners will be notified of any such changes. To that end, while not expected, it is possible that federal law might require the imposition of a lower Maximum Account Balance Limitation. In such case, the Board may require an Account Owner to receive a Distribution from an Account to comply with such lower limit. A Distribution in such circumstances may be subject to income taxes and additional tax penalties. See “Tax Matters — Taxable Distributions” and “— Tax Penalties on Distributions.” Furthermore, notwithstanding this Maximum Account Balance Limitation, the Account Owner is responsible for projecting the Designated Beneficiary’s Qualified Higher Education Expenses and, to avoid income taxes and additional tax penalties on Distributions, the Account Owner may need to limit Contributions to Accounts under the Program so that the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary is less than the Maximum Account Balance Limitation. To the extent permitted by Section 529 of the Code, an Account that is established without a named Designated Beneficiary by a state or local government (or agency or instrumentality thereof) or an organization described in Section 501(c)(3) of the Code as part of a scholarship program operated by such government or organization will not be subject to the Maximum Account Balance Limitation.

Ownership of Contributions. The Account Owner (and not the Designated Beneficiary or any person or entity that makes a Contribution to an Account) retains ownership of all Contributions made to an Account and all earnings credited to such Account up to the date of Distribution for payment of Qualified Higher Education Expenses for the Designated Beneficiary or the date of any other Distribution as permitted by the Rules.

If the source of any Contribution to an Account is a custodial account established under any state’s UGMA/UTMA, the Account Owner must designate the minor for whom the UGMA/UTMA account was established as the Designated Beneficiary. **A custodian of funds from a UGMA/UTMA account must execute an Enrollment Form as a UGMA/UTMA custodian and establish an Account separate from any Account they may hold in their individual capacity before contributing funds from the UGMA/UTMA account to the Account so established. Under no circumstances may an Account Owner transfer an Account or any portion thereof to a new Designated Beneficiary if the source of any Contribution made to the Account was a UGMA/UTMA account and the Account is still held under a UGMA/UTMA custodianship. If the Designated Beneficiary for whom the UGMA/UTMA account was established has become the Account Owner of the Account, a change in the Designated Beneficiary for all or a portion of the Account Balance in the Account will be permitted. The Account Owner (or, upon presentation of proof of majority under the relevant state’s UGMA/UTMA, the Designated Beneficiary) must notify the Manager when the custodianship terminates, at which time a successor Account Owner may become the new Account Owner, but only in accordance with applicable UGMA/UTMA laws.**

Maintenance of Accounts

Rebalancing of Fixed Portfolios and Years to Enrollment Portfolios

The Manager will compare the actual asset allocation for each Fixed Portfolio and each Years to Enrollment Portfolio with the Board-approved asset allocation for that Portfolio from time to time. At least annually, the Manager will rebalance the investments of each Fixed Portfolio and each Years to Enrollment Portfolio to cause the actual asset allocation for a Fixed Portfolio or a Years to Enrollment Portfolio to match the Board-approved investment sector asset allocation for that Portfolio. These Portfolio reviews and rebalancings are intended to prevent any one investment sector from having a materially disproportionate effect on the investment performance of a Fixed Portfolio or a Years to Enrollment Portfolio when compared to its Board-approved asset allocation.

Investment Selection Changes for Accounts Without Changing the Designated Beneficiary for such Accounts; Multiple Accounts Held on Behalf of the Same Designated Beneficiary

If an Account Owner has established an Account on behalf of a Designated Beneficiary, the Account Owner may make Investment Selection Changes for an Account once per calendar year without changing the Designated Beneficiary for that Account. For purposes of applying the rule allowing Investment Selection Changes once per calendar year without a change of Designated Beneficiary, all Accounts held by an Account Owner on behalf of the same Designated Beneficiary will be deemed to be a single Account. If an Investment Selection Change has been made for all or a portion of the Account Balance in any such Accounts, then no further Investment Selection Changes may be made for that Account or any other Account held by the same Account Owner on behalf of the same Designated Beneficiary until the next calendar year (unless the Designated Beneficiary is changed).

To make Investment Selection Changes for two or more Accounts held by the same Account Owner on behalf of the same Designated Beneficiary without changing the Designated Beneficiary for those Accounts, the Account Owner must list all Investment Selection Changes for such Accounts on a single Change of Investment Selections Form that is submitted to the Manager.

On the Change of Investment Selections Form, the Account Owner must identify:

- the Account(s) for which the Investment Selection Changes are being made, and
- either (i) the dollar amount of the Account Balance to which such Investment Selection Changes will apply, or (ii) the percentage of the Account Balance to which such Investment Selection Changes will apply (Investment Selection Changes involving a Source Account or Destination Account(s) under a Systematic Exchange Plan will not be allowed on a percentage basis).

In the event the Account Owner establishes a new Account in connection with such an Investment Selection Change, the new Account will be assigned to the Portfolio selected by the Account Owner on the Change of Investment Selections Form in accordance with the provisions described under the heading “The Trust Fund and the Portfolios.” Contributions made to a new Account in connection with any Investment Selection Change must comply with all applicable requirements. Contributions and Systematic Exchanges made to a preexisting Account in connection with any Investment Selection Change must comply with all applicable requirements.

If the Designated Beneficiary for an Account or any portion thereof is changed, following such change of Designated Beneficiary, the once per calendar year investment selection change restriction will be applied by reference to all Accounts held by the Account Owner on behalf of the new Designated Beneficiary.

Changing the Designated Beneficiary for an Account

With the exception of Accounts funded with the proceeds from a UGMA/UTMA account and certain Accounts held under Unit Class B, an Account Owner may change the Designated Beneficiary for all or a portion of the Account Balance in an

Account at any time by submitting a completed Change of Designated Beneficiary Form to the Manager. The Account Owner may: (a) keep the investment selections for the Account held on behalf of the new Designated Beneficiary the same as the investment selections for the Account held on behalf of the former Designated Beneficiary, or (b) make new investment selections for the Account held on behalf of the new Designated Beneficiary. On the Change of Designated Beneficiary Form, the Account Owner must:

- identify the Account(s) for which the Designated Beneficiary is being changed,
- either (i) identify the dollar amount of the Account Balance to which such change of Designated Beneficiary will apply, or (ii) identify the percentage of the Account Balance to which such change of Designated Beneficiary will apply, and
- make a certification with respect to the relationship between the new Designated Beneficiary and the former Designated Beneficiary.

In the event the Account Owner establishes a new Account in connection with a change of Designated Beneficiary, the Account for the new Designated Beneficiary will be assigned to the Portfolio selected by the Account Owner on the Change of Designated Beneficiary Form in accordance with the provisions described under the heading “The Trust Fund and the Portfolios.” Contributions made to a new Account in connection with a change of Designated Beneficiary must comply with all applicable minimum initial Contribution requirements. If the Account Owner transfers a portion of the Account Balance in the Account held on behalf of the former Designated Beneficiary to a preexisting Account held on behalf of the new Designated Beneficiary, the Account Owner must identify such preexisting Account on the Change of Designated Beneficiary Form. Contributions made to a preexisting Account in connection with a change of Designated Beneficiary must comply with all applicable minimum subsequent Contribution requirements.

If the Designated Beneficiary for an Account or any portion thereof is changed, following such change of Designated Beneficiary, the once per calendar year Investment Selection Change restriction will be applied by reference to all Accounts held by the Account Owner on behalf of the new Designated Beneficiary. If the new Designated Beneficiary is a Member of the Family of the former Designated Beneficiary, such change of Designated Beneficiary will not be treated as a Distribution for federal income tax purposes. There will be no adverse federal income tax consequences resulting from such a change. If the new Designated Beneficiary is not a Member of the Family of the former Designated Beneficiary, such a change of Designated Beneficiary will be treated for federal tax purposes as a Distribution to the Account Owner followed by a Contribution to a new Account on behalf of the new Designated Beneficiary. A Distribution in such circumstances may be subject to income taxes and additional tax penalties. In addition, if the new Designated Beneficiary is from a younger generation than the former Designated Beneficiary, federal gift and generation-skipping taxes may apply. See “Tax Matters.”

If an Account is funded with the proceeds from a UGMA/UTMA account, there can be no Distributions from that Account other than for the benefit of the Designated Beneficiary in accordance with the applicable state’s UGMA/UTMA laws, and the Account Owner may not transfer an Account or any portion thereof to a new Designated Beneficiary if the Account is still held under a UGMA/UTMA custodianship. If the Designated Beneficiary for whom the UGMA/UTMA account was established has become the Account Owner of the Account, a change in the Designated Beneficiary for all or a portion of the Account Balance in the Account will be permitted. In addition, under Unit Class B, the Designated Beneficiary for an Account may not be changed within six years after the most recent Contribution to such Account if the proposed Designated Beneficiary is 15 years old or older at the time of such proposed change.

Systematic Exchange Plan

The Systematic Exchange Plan is a program that allows an Account Owner to transfer a specific, fixed amount of funds from a Source Account to one or more Destination Accounts at regular, predetermined intervals. Account Owners may use a Systematic Exchange Plan in an effort to buy Units in a consistent manner over time, which may help to level the average purchase price of such Units. Account Owners also may use a Systematic Exchange Plan to convert Units of relatively more aggressive Portfolios into Units of relatively more conservative Portfolios as the number of Years to Enrollment for the Designated Beneficiary of the Account declines.

Subject to the rules governing Investment Selection Changes, Account Owners may initiate a Systematic Exchange Plan between or among Accounts. For each Systematic Exchange Plan, the Account Owner must designate one Account to serve as the Source Account and one or more Accounts to serve as Destination Accounts. All Portfolios are eligible to be used in

connection with a Systematic Exchange Plan. **The Unit Class for each Destination Account must be the same as the Unit Class for its Source Account. The Account Owner and Designated Beneficiary for each Destination Account must be the same as the Account Owner and Designated Beneficiary for its Source Account.**

Systematic Exchanges may be scheduled to take place on either a monthly or quarterly basis on a date selected by the Account Owner. In the event the date selected by the Account Owner is not a Business Day, the Systematic Exchange will take place on the next Business Day. The Source Account must have a minimum Account Balance of \$1,000 on the date the Systematic Exchange Plan is initiated by the Account Owner. Each Systematic Exchange from a Source Account to a Destination Account under a Systematic Exchange Plan must equal or exceed \$25.00 (if Systematic Exchanges are done on a monthly basis) or \$75.00 (if Systematic Exchanges are done on a quarterly basis). All Systematic Exchanges must be for a fixed dollar amount and will not be permitted on a percentage basis.

A Systematic Exchange Plan may be initiated with respect to both existing Accounts or new Accounts and may have either an open-end termination date or an established termination date. For Systemic Exchange Plans with an open-end termination date, Systematic Exchanges will continue to be made from the Source Account to each Destination Account until: (a) such time as the Account Balance for the Source Account is less than the aggregate amount of Systematic Exchanges scheduled to be made to its Destination Account(s) on a particular Business Day or (b) the Systematic Exchange Plan is terminated at the direction of the Account Owner, subject to the rules governing Investment Selection Changes. Unless terminated at the direction of the Account Owner, all subsequent Contributions to the Source Account will remain subject to the previously established Systematic Exchange Plan. For Systematic Exchange Plans with an established termination date, Systematic Exchanges will continue to be made from the Source Account to each Destination Account until the established termination date is reached. However, Systematic Exchanges will not be made prior to the established termination date if the Account Balance for the Source Account is less than the aggregate amount of Systematic Exchanges scheduled to be made to its Destination Account(s) on a particular Business Day. All Contributions to the Source Account made prior to the established termination date will remain subject to the previously established Systematic Exchange Plan. Systematic Exchanges will cease on the established termination date. Following any termination of a Systematic Exchange Plan, subsequent Contributions to a Source Account will not be subject to the previously established Systematic Exchange Plan unless the Account Owner elects to initiate this option again by using the appropriate forms available from the Manager.

The establishment of a Systematic Exchange Plan will not be treated as an Investment Selection Change if the Source Account and each Destination Account for that Systematic Exchange Plan are established on the same Enrollment Form. However, the establishment of a Systematic Exchange Plan for an existing Account, any change to an existing Systematic Exchange Plan (including the establishment of a new Source Account or a new Destination Account for an existing Systematic Exchange Plan), and any termination of an existing Systematic Exchange Plan (other than pursuant to an established termination date) will be treated as an Investment Selection Change. See “Maintenance of Accounts — Investment Selection Changes for Accounts Without Changing the Designated Beneficiary for such Accounts; Multiple Accounts Held on Behalf of the Same Designated Beneficiary.” You should consult a qualified tax advisor for further guidance.

Systematic Exchange Plans may not be suitable for all Account Owners. The use of a Systematic Exchange Plan does not ensure a profit or protect against loss in a declining market. Since this strategy may involve continuous investment regardless of fluctuations in Underlying Fund share prices/Unit prices, Account Owners should consider their financial ability to invest during periods of low price levels. Risks associated with a Systematic Exchange Plan will depend upon the risks associated with investing in the Source Account and the applicable Destination Account(s) and prevailing market conditions. No initial sales charge, deferred sales charge, fee, or other expenses will be incurred in connection with a Systematic Exchange from a Source Account to a Destination Account under a Systematic Exchange Plan. A Systematic Exchange from a Source Account to a Destination Account under a Systematic Exchange Plan will not be treated as a Distribution nor will it be treated as a taxable event for federal income tax purposes.

The Program Manager may terminate or amend the Systematic Exchange Plan option at any time.

Consolidation of Accounts Held by an Account Owner on Behalf of the Same Designated Beneficiary

The Manager may consolidate separate Accounts held by an Account Owner on behalf of the same Designated Beneficiary into one Account if: (i) such Accounts are assigned to the same Portfolio, (ii) such Accounts are assigned to the same Unit Class, and (iii) the then-current number of Years to Enrollment for the Designated Beneficiary of such Accounts is the same (if such Accounts are assigned to Years to Enrollment Portfolios). No sales charges, fees, or other expenses will be imposed in connection with any consolidation of Accounts. The aggregate Account Balances of such Accounts will not be adversely affected in connection with such consolidation.

Pledge or Assignment

To the extent permitted by law, the interests of the Account Owner and Designated Beneficiary in an Account under the Program are not subject to attachment or alienation by third-party creditors and are not transferable, other than by will, by the laws of descent and distribution, or as provided in the Act, the Rules or Section 529 of the Code. Neither the Account Owner nor the Designated Beneficiary may transfer, pledge, or assign any interest such party may have under the Program as collateral or security for a loan (including, but not limited to, a loan used to make a Contribution) or for any other purpose, other than as specifically provided in the Act and the Rules.

Distributions and Distribution Procedures

Distribution Requests. All Distributions Requests must be made in writing, by telephone, or through the internet. An Account Owner may establish telephone and internet transaction privileges for an Account through the Manager's website (www.vankampen.com) or by calling (866) 529-ACCT (2228) or (800) 847-2424. For a description of how Unit Values will be determined in connection with Distribution, please see the subheading titled "Unit Values for Distributions" below.

In order for the Manager to process a Distribution Request, certain information should be provided, including:

- the Account Owner's name and social security (or tax identification) number;
- the Designated Beneficiary's name and social security (or tax identification) number;
- the Account Owner's address of record;
- the requested dollar amount for the Distribution;
- the name of the person or entity to whom the Distribution should be paid;
- address to which such Distribution should be sent; and
- the Account Owner's Independent Distributor information, if applicable.

If the Units that are the subject of a Distribution Request were recently purchased by check, payment of the Distribution may be delayed until the Manager or its agent confirms that the applicable check has cleared. This delay may take up to 15 calendar days from the date of purchase of such Units.

An Account Owner may make a Distribution Request in writing by submitting a completed form to the Manager at the address set forth on such form. If the address of record for an Account has been changed within 15 calendar days prior to the receipt of a written Distribution Request or if the amount of the requested Distribution exceeds \$50,000 and such Distribution is requested to be sent to an address other than the Account Owner's address, the signature of the Account Owner must be guaranteed by one of the following: a bank or trust company; a broker-dealer; a credit union; a national securities exchange, registered securities association, or clearing agency; a savings and loan association; or a federal savings bank.

Distribution Requests may also be made by telephone by calling (866) 529-ACCT (2228) or (800) 847-2424, the Manager's automated telephone system, which is generally accessible 24 hours a day, seven days a week. Account Owners may make

Distribution Requests through the Manager's website at www.vankampen.com. Distribution Requests received in good order by the Manager prior to close of business on the NYSE (generally, 4:00 p.m. Eastern Time) will be processed at the next determined Unit Value. Distribution Requests received in good order by the Manager after the close of business on the NYSE (generally, 4:00 p.m. Eastern Time) or on a day other than a Business Day will be processed at the Unit Value that is calculated for the next Business Day. Please refer to the Manager's website at www.vankampen.com or the Treasurer's website at www.treasury.state.al.us for further instructions regarding internet transactions.

The Manager, Van Kampen Funds, their affiliates, BFDS, and State Street employ procedures considered by them to be reasonable to confirm that instructions communicated by telephone or internet are genuine. Such procedures include requiring certain personal identification information prior to acting upon telephone or internet instructions. If reasonable procedures are employed, none of the Manager, Van Kampen Funds, their affiliates, BFDS, State Street, the Program Trust Fund, nor any Portfolio will be liable for following telephone or internet instructions that are reasonably believed to be genuine. An Account Owner may not be able to make a Distribution Request by telephone or through the internet if the Account Owner cannot reach the Manager for any reason. In such case, Account Owners should use the other Distribution procedures described under this heading. Distribution Requests made by telephone will not be processed by the Manager if the address of record for the Account has been changed within 15 calendar days prior to the receipt of the applicable Distribution Request. The Manager reserves the right at any time to terminate, limit or otherwise modify the telephone or internet transaction privileges described above.

The Manager will review each Distribution Request to determine that all the information needed to process such request has been received. Distribution Requests will be satisfied as soon as practicable following the receipt of a properly completed Distribution Request and the Manager's review and approval thereof. Distributions will be made by check. **In processing Distribution Requests, the Manager will not be responsible for making any determination with respect to the tax consequences of any Distribution.**

Unit Values for Distributions. If the Manager determines that a Distribution Request has been received in good order on a Business Day prior to the close of business on the NYSE (generally, 4:00 p.m. Eastern Time), the Manager will calculate the value of such Distribution from the Account based upon the applicable Unit Value that is calculated for that Business Day. If the Manager determines that a Distribution Request has been received in good order on a day other than a Business Day or after the close of business on the NYSE (generally, 4:00 p.m. Eastern Time), the Manager will calculate the value of such Distribution from the Account based upon the applicable Unit Value that is calculated for the next Business Day. On the Business Day immediately following the computation of value of a Distribution from an Account, the Manager will take appropriate action with respect to the applicable Portfolio to cause funds to be available for the Distribution.

Substantiation and Tax Returns. Distributions will be made upon the receipt of a properly completed Distribution Request without the need for the Account Owner to substantiate the purpose of the Distribution to the Manager. In certain circumstances, a Distribution may have adverse tax consequences, including being subject to income tax and additional tax penalties. The Account Owner (or the Designated Beneficiary, where applicable) may be required by the IRS, on the Account Owner's (or the Designated Beneficiary's, if applicable) federal income tax return, to substantiate the purpose of the Distribution and to establish, where applicable, such person's eligibility for the exclusion from taxable income for amounts used for Qualified Higher Education Expenses, and for exemption from additional tax penalties. See "Tax Matters" for a discussion of the tax consequences of Distributions.

Distributions From Multiple Accounts. If an Account Owner holds more than one Account on behalf of a Designated Beneficiary, the Account Owner may specify the Account from which a Distribution will be taken. Account Owners should review the deferred sales charges, if any, that will be imposed in connection with a Distribution from each Account held on behalf of that Designated Beneficiary when selecting the Account from which the Distribution will be taken. If an Account Owner holds more than one Account on behalf of a Designated Beneficiary and the Account Owner does not specify the Account from which a Distribution will be taken, the Distribution will be taken from the oldest Account (i.e., the Account with the earliest date of establishment), until all amounts in that Account have been liquidated and then from each succeeding Account in order of age, until the amount of the Distribution is reached. If multiple Accounts are established on the same day, the Accounts established on that day will be ordered for these purposes based on the account number assigned to them by the Manager, with the lowest account number being treated as the earliest established Account.

Account Closings and Distributions Initiated by the Board or the Manager. The Board may close, or cause its agents to close, an Account if the Account Owner or the Designated Beneficiary provides false or misleading information to the Program or if such action is necessary, in the discretion of the Board, to ensure that the Program qualifies as a Qualified Tuition Program under Section 529 of the Code and complies with all applicable securities laws and other applicable federal or state constitutional, statutory, or regulatory provisions. In addition, the Board may, without closing an Account, require an Account Owner to receive a Distribution from the Account of such amount as the Board may determine, if such action is necessary, in the discretion of the Board, to ensure that the Program qualifies as a Qualified Tuition Program under Section 529 of the Code and complies with all applicable securities laws and other applicable federal or state constitutional, statutory, or regulatory provisions. If an Account Agreement has not been terminated after a period of 60 years from its effective date, after the Board or its agents have made a reasonable effort to contact the Account Owner and the Designated Beneficiary, the Board shall close or cause its agents to close, the Account and presume the Account Balance, if any, to be abandoned property. (The Account may be deemed to be abandoned property earlier than the time specified in the preceding sentence if required by applicable law.) The Account Owner may request that the Account remain in effect beyond the 60-year period by filing a written request with the Board. The Distribution of funds from the Account under any such circumstances may be subject to income taxes and additional tax penalties. See “Tax Matters.”

Tax Matters

The following discussion summarizes certain aspects of the federal income, gift, estate and generation-skipping transfer taxes and Alabama income tax consequences relating to the Program and an investment in, and Distributions from, an Account. This discussion does not address state income taxes that may be imposed by any state other than Alabama or other state or local taxes that may be imposed by Alabama or any other state or locality.

Caveats with Respect to Tax Discussion. This summary is not exhaustive, and is not intended as tax advice. In addition, no assurance can be given that the IRS will accept the conclusions in this Program Disclosure Statement, or, if challenged by the IRS, that these conclusions would be sustained in court. The federal and state tax consequences associated with an investment in this Program are complex, certain of the rules are uncertain, and their application to any particular person may vary according to facts and circumstances specific to that person. You should consult a qualified tax advisor regarding the application of the relevant tax law to your particular circumstances.

Ruling Request. The Board intends to request a private letter ruling from the IRS to the effect that the Program is a “Qualified Tuition Program,” within the meaning of Section 529 of the Code. No assurance can be given that the Board will receive such a private letter ruling from the IRS, nor can any assurance be given that, if the Board does receive a private letter ruling from the IRS, the IRS will rule that all aspects of the Program comply with Section 529 of the Code. The tax treatment described in this Program Disclosure Statement assumes that the Program is a Qualified Tuition Program under Section 529 of the Code. Although the Board intends to modify the Program to satisfy all requirements of Section 529 of the Code, any failure of the Program to satisfy the requirements of Section 529 of the Code for any reason may cause the tax consequences for an Account Owner or a Designated Beneficiary to differ from the tax consequences described herein. The Program’s failure to satisfy the requirements of Section 529 could have a retroactive effect. In addition, the failure to satisfy Section 529 could cause the fees and expenses to be paid in connection with an Account to be higher than the fees and expenses described herein.

Changing Tax Laws. This summary is based on interpretations of the relevant provisions of the Code and Alabama state income tax law, legislative history and interpretations of applicable federal and Alabama law existing on the date of this Program Disclosure Statement. It is possible that Congress, the U.S. Treasury Department, the IRS, the State of Alabama and other taxing authorities or the courts may take actions that will affect the Code, Alabama state tax law and/or the interpretations thereunder. Thus, the tax law or other consequences described herein may change. These changes could have an adverse effect on Accounts or the fees and expenses that are paid in connection therewith, which effect could be retroactive. The U.S. Treasury Department has not issued final federal income tax regulations concerning Qualified Tuition Programs and, when issued, such regulations may alter the tax consequences summarized in the Program Disclosure Statement or necessitate changes in the Program to achieve such tax consequences described. Such regulations could have a significant effect on the

Program, an investment under the Program, and the fees and expenses imposed under the Program, or result in termination of the Program. None of the State, the Board, the Program Trust Fund, the Manager, or any of their affiliates or agents shall be liable to any Account Owner or any Designated Beneficiary if the Program is determined not to be a Qualified Tuition Program. In addition, as described below, unless Congress enacts additional legislation, the changes under the 2001 Tax Act that took effect for taxable years beginning after December 31, 2001, will no longer apply for taxable years beginning after December 31, 2010. As a result, the former law will again become the applicable law for taxable years beginning after December 31, 2010. Such a change in law could have adverse tax and other consequences to you. Certain provisions of the former law are described under the subheadings “Tax Matters — Federal Tax Law: Sunset Provisions” and “Tax Matters — Federal Tax Law: After December 31, 2010.”

In January 2004, the U.S. Treasury Department announced certain legislative proposals that are to be included in the President’s budget for fiscal year 2005. Although specific details were not provided, the U.S. Treasury Department announced that the proposals will include changes to address transfer tax issues arising from the funding of Qualified Tuition Programs, changes to the beneficiaries or account owners for these programs, and distributions and withdrawals from these programs. The U.S. Treasury Department also announced that the proposals would consolidate and simplify higher education tax benefits by combining the various provisions into two tax credits: the Hope Credit and an expanded Lifetime Learning Credit. As proposed, the new Lifetime Learning Credit would cover student interest (up to \$2,500) and would apply on a per-student rather than a per-taxpayer basis. Under the proposal, the income phase-out limits for both credits would be raised, and the dollar limits on the credit would be indexed. Under the proposal, the definitions of “qualified higher education expense” and “qualified higher education institution” would be made uniform throughout the Code, and other changes would be made to increase uniformity of definitions. No assurance can be given that legislation containing these proposals will be proposed, or if proposed will be enacted, or if enacted, will be retroactive in any way. You should consult with a qualified tax advisor about this and other tax consequences of participation in the Program.

State of Alabama Taxes. With respect to Alabama residents, Contributions made to the Program are not deductible for Alabama income tax purposes. The Attorney General of the State has issued an opinion that under current law, earnings on the investment of Contributions are not subject to Alabama income taxes while they are held in the Program Trust Fund and will not be included in the Alabama taxable income of the Designated Beneficiary or the Account Owner until they are distributed, in whole or in part, from the Account. The Attorney General’s opinion states that under current law, the earnings portion of a Distribution from the Program Trust Fund is subject to Alabama income tax, whether or not the Distribution is used to fund Qualified Higher Education Expenses. It is possible that a court of competent jurisdiction, however, could reach a different conclusion.

Under current law, the Alabama income tax treatment of certain aspects of Distributions and other transactions under the Program is uncertain. In particular, it is uncertain whether the earnings portion of a Distribution will be taxed to the Account Owner or to the Designated Beneficiary, and how the earnings portion of a Distribution for such purposes will be determined. In addition, under current law, it is unclear what the implications of certain transactions under the Program are under Alabama income tax law, including, but not limited to, changing the Designated Beneficiary for all or a portion of the Account Balance in an Account, changing the investment selections for all or a portion of the Account Balance in an Account, or transferring an Account to a successor Account Owner. In addition, it is possible that legislation will be proposed in the future to exempt part or all of certain Distributions from Alabama taxes. No assurance can be given that such legislation will be proposed, or if proposed will be enacted, or if enacted, will be retroactive in any way. You should consult a qualified tax advisor about this and other tax consequences of participation in the Program, including estate and any local taxes that may apply.

Other State and Local Tax Consequences. Account Owners and Designated Beneficiaries who are subject to taxation by jurisdictions other than Alabama should consult a qualified tax advisor to determine the state and local income, gift, estate, generation-skipping transfer, and other tax consequences of participation in the Program. The tax consequences of participation in the Program vary from state to state. Other Qualified Tuition Programs and education savings and investment programs may offer state tax benefits, including deductions or exclusions from income, that are not available under the Program. Depending upon the applicable state laws, favorable state tax treatment for investing in a Qualified Tuition Program may be limited to investments made in a Qualified Tuition Program offered by the Account Owner’s or the Designated Beneficiary’s home state.

Federal Income Tax Treatment of Qualified Tuition Programs. It is intended that the Program constitute a Qualified Tuition Program under Section 529 of the Code. Contributions to Qualified Tuition Programs are not deductible for federal income tax purposes. Earnings in an Account are not subject to federal income taxes until Distributions are made from the Account. Earnings included in a Distribution to pay Qualified Higher Education Expenses of the Designated Beneficiary generally are not subject to federal income tax. Earnings included in other Distributions, however, are generally includible in computing the federal taxable income of the Account Owner or the Designated Beneficiary. The tax treatment for a Distribution from an Account will depend upon how the Distribution is used and who receives it. A state or local government (or an agency or instrumentality thereof or an organization described in Section 501(c)(3) of the Code) may establish an Account as part of a scholarship program operated by such government or organization. Because such entities are generally subject to favorable tax treatment, investment in a Qualified Tuition Program may not provide any additional tax benefits to such entities.

In the event a Contribution is made by the Account Owner or a third party as compensation to the Account Owner, the Designated Beneficiary, or a third party, the Contribution may have income tax consequences to the party deemed to receive such compensation. You should consult with a qualified tax advisor regarding such Contributors.

Qualified Tax-Exempt Distributions. There are generally two components of each Distribution: one component is a return of Contributions; the other component is a distribution of earnings (defined, generally, as the excess, if any, of the Account value over the Contributions made to the Account). The earnings portion of Distributions that are used for Qualified Higher Education Expenses will not be subject to federal income tax. In general, for these purposes, if the Distributions do not exceed the amount of Qualified Higher Education Expenses, the entire earnings portion of the Distributions shall be excluded from taxable income. If the Distributions exceed the amount of any Qualified Higher Education Expenses, the portion of the earnings excluded from the taxable income of the Account Owner or the Designated Beneficiary where applicable, generally shall be an amount equal to the earnings portion of the Distributions, multiplied by a fraction, the numerator of which is the amount of such Qualified Higher Education Expenses, and the denominator of which is the amount of such Distributions. Different rules may apply for correlating Qualified Higher Education Expenses and Distributions that are treated as in-kind distributions under a Qualified Tuition Program. As of the date of this Program Disclosure Statement, the IRS has not provided guidance on how in-kind distributions under a Qualified Tuition Program will be treated and what constitutes an in-kind distribution. You should consult a qualified tax advisor regarding the application of the relevant tax law to your particular circumstances.

To the extent required by the IRS, the determination of the taxable earnings portion of a Distribution shall be made by taking into account all distributions made to the Account Owner or Designated Beneficiary, where applicable, under all Qualified Tuition Programs. In addition, the amount of Qualified Higher Education Expenses taken into account for these purposes shall be reduced, as provided in Section 25A(g)(2) of the Code with respect to scholarships, educational assistance allowances and certain other tax-free payments, and by the amount of such expenses taken into account in determining the Hope Scholarship and Lifetime Learning Credits. See “Hope Scholarship and Lifetime Learning Credits” and “Other Scholarships and Allowance” below under this heading. In the event there are one or more distributions from a Coverdell ESA with respect to the Designated Beneficiary, and the amount of such distribution or distributions, when taken together with Distributions from the Program in the same year (including to the extent required by the IRS, distributions from other Qualified Tuition Programs), exceeds the total amount of Qualified Higher Education Expenses (as adjusted by the preceding sentence), the determination of the amount of taxable earnings in the Distribution shall be made by allocating the amount of Qualified Higher Education Expenses between the Distribution and the other distributions, in accordance with such rules and regulations as the U.S. Treasury Department may provide. See “Coverdell Education Savings Accounts (formerly known as “Education IRAs”)” below under this heading.

The Account Owner or the Designated Beneficiary, where applicable, is responsible for determining the amount of the earnings portion of a Distribution excluded from taxable income under these rules, for substantiating Qualified Higher Education Expenses to the extent required by the IRS, and for reporting the amount of earnings included in income for federal income tax purposes, and any additional tax penalties as may be applicable. As of the date of this Disclosure Statement, the IRS has not issued guidance with respect to the manner in which the Account Owner or the Designated Beneficiary, where applicable, shall account for Distributions and Qualified Higher Education Expenses and how such amounts may be coordinated between the Account Owner and the Designated Beneficiary for tax reporting purposes. You should consult a qualified tax advisor regarding the application of the relevant tax law to your particular circumstances.

Taxable Distributions. The earnings portion of any Distribution that is not excluded from income as provided above is includible in computing the recipient's (either the Account Owner's or the Designated Beneficiary's) taxable income. If the Distribution which is otherwise taxable, is paid to a third party, it will be included in the income of the Account Owner or the Designated Beneficiary, depending on which one benefits from the payment.

Tax Penalties on Distributions. The recipient of a taxable Distribution (either the Account Owner or the Designated Beneficiary, as the case may be) will, except as provided below, also be subject to additional tax penalties in the form of an additional federal income tax of 10% on the earnings portion of the Distribution that is included in taxable income. The additional 10% federal income tax will not apply, however, if the Distribution is:

- made on or after the death of the Designated Beneficiary to a beneficiary, the estate of the Designated Beneficiary, or to the extent permitted by rules and regulations of the IRS, the Account Owner,
- attributable to the Designated Beneficiary being disabled (within the meaning of Section 72(m)(7) of the Code),
- made on account of a scholarship, allowance or payment described in Section 25A(g)(2) received by the Designated Beneficiary to the extent the amount of the Distribution does not exceed the amount of the scholarship, allowance, or payment, or
- an amount includible in income solely because of the reduction in the amount of Qualified Higher Education Expenses attributable to the amount of such expenses taken into account in determining the allowed amount of Hope Scholarship and Lifetime Learning Credits.

Aggregation of Accounts. All Accounts held by an Account Owner for the benefit of the same Designated Beneficiary under the Program must be treated as a single Account for purposes of calculating the earnings portion of each Distribution. Thus, if more than one Account is created by the Account Owner for the same Designated Beneficiary, and a Distribution is made from one or more of such Accounts in accordance with the rules described under the heading "Distributions and Distribution Procedures — Distributions from Multiple Accounts," the amount of earnings included in the Distribution will be determined based upon the ratio of total earnings in all such Accounts held by the same Account Owner for the benefit of the Designated Beneficiary to the total amount in such Accounts.

Thus, the amount withdrawn from an Account may carry with it a greater or lesser amount of taxable income than the earnings in that Account alone would justify, depending on the earnings in the other relevant Account or Accounts. All calculations of the taxable and nontaxable components of Distributions from the Accounts will be made as of the date of each Distribution.

Change in Designated Beneficiary, Rollovers between Accounts, and Transfers or Rollovers Between Qualified Tuition Programs. An Account Owner may change the Designated Beneficiary for all or a portion of the Account Balance in an Account as set forth in this Program Disclosure Statement under the heading "Maintenance of Accounts — Changing the Designated Beneficiary for an Account" or rollover an amount from an Account to another Account within the Program for a different Designated Beneficiary. The earnings portion of the Account for which the Designated Beneficiary has been changed, or of the amount rolled over, will not be subject to federal income tax, if:

- the new Designated Beneficiary is a Member of the Family of the prior Designated Beneficiary, and
- in the case of a rollover, such rollover contribution to the Program was made within 60 days of the Distribution.

An Account Owner may rollover or transfer in a direct transfer (e.g. a trustee-to-trustee transfer) an amount from an Account to an account under another Qualified Tuition Program for a different Designated Beneficiary or for the same Designated Beneficiary, and the earnings portion of the amount transferred or rolled over will not be subject to federal income tax, if:

- in the case of a rollover, such rollover contribution to the other Qualified Tuition Program is made within 60 days of the Distribution.
- in the case of a transfer or rollover to an account of a new Designated Beneficiary, the new Designated Beneficiary is a Member of the Family of the prior Designated Beneficiary, and
- in the case of a transfer or rollover to an account of the same Designated Beneficiary, the transfer or rollover does not occur within 12 months of a previous transfer or rollover to a Qualified Tuition Program, including the Program, for the benefit of the same Designated Beneficiary.

The Account Owner or the Designated Beneficiary, where applicable, is responsible for determining whether the earnings portion of a transfer or rollover to the Program or to another Qualified Tuition Program meets the above rules for exclusion from income for tax purposes, for substantiating the facts relating to the transfer or rollover to the IRS to the extent required by the IRS, and for reporting for federal income tax purposes any amount of earnings that is attributable to the transfer or rollover that must be included in income. As of the date of this Program Disclosure Statement, the IRS has not issued guidance with respect to the manner in which the Account Owner or the Designated Beneficiary, if applicable, shall account for transfers or rollovers to other Qualified Tuition Programs, and to the coordination of such transfers and rollovers with other transfers and rollovers for the same Designated Beneficiary. In addition, a transfer or rollover from an account in another Qualified Tuition Program may have adverse tax consequences to you, including the recapture of previously allowed state income tax deductions and the loss of other state tax benefits. You should consult with a qualified tax advisor regarding the application of the relevant tax law to your particular circumstances.

If there are other Accounts open for the benefit of the new Designated Beneficiary, an Account Owner may be limited in how much of an Account can be transferred to the new Designated Beneficiary under the Maximum Account Balance Limitation.

Federal Gift and Estate Taxes. Contributions to Accounts are considered completed gifts for federal estate and gift tax purposes. Generally, if the Account Owner dies while there is still money in his or her Account, the value of the Account will not be included in the Account Owner's estate (except in the situation described below relating to the gift tax exclusion election for Contributions exceeding \$11,000 in any one year). However, amounts distributed on account of the death of a Designated Beneficiary are included in the gross estate of the Designated Beneficiary for federal estate tax purposes.

For decedents dying on or after January 1, 2002, and before January 1, 2010, the 2001 Tax Act phased out the federal estate tax by gradually reducing the top estate tax rate and increasing the estate tax applicable exclusion amount. The 2001 Tax Act repealed the federal estate tax for decedents dying in 2010.

Contributions to Accounts are potentially subject to federal gift tax payable by the Account Owner. Generally, if an Account Owner's Contributions to an Account or Accounts for a Designated Beneficiary in a single year, together with all other gifts by the Account Owner to the Designated Beneficiary in that year, are less than the gift tax annual exclusion amount (for 2004, the limits are \$11,000 per year in the case of an individual and \$22,000 for a married individual who elects to split gifts with his or her spouse, these limits are subject to indexing for years after 2004), the Contribution will not result in any federal gift tax liability for the Account Owner.

If an Account Owner's Contribution to an Account for a Designated Beneficiary in a single year is greater than the gift tax annual exclusion amount, i.e., in 2004 \$11,000 (\$22,000 in the case of a married couple who split gifts), the Account Owner may elect to treat the Contributions up to five times the gift tax annual exclusion amount, i.e., in 2004 \$55,000 (\$110,000 in the case of a consenting married couple) as having been made ratably over a five-year period for purposes of the gift tax annual exclusion. However, if the Account Owner dies before the five-year period has elapsed, the portion of the Contribution allocable to years beginning after the date of the Account Owner's death will be includible in the Account Owner's estate for estate tax purposes.

Under current law, if the Designated Beneficiary is a member of a generation that is more than one generation younger than the Account Owner's generation, Contributions in excess of the annual gift tax exclusion amount (subject to the same five-year election) may be subject to the federal generation-skipping transfer tax.

The 2001 Tax Act phased out the federal generation-skipping transfer tax by gradually reducing the applicable rate for transfers after December 31, 2001, and before January 1, 2010, and changing the generation-skipping transfer tax exemption for transfers after December 31, 2003. For transfers after December 31, 2003, the generation-skipping transfer tax exemption will be equal to the estate tax applicable exclusion amount, which will be increased through 2009. The estate tax applicable exclusion amount in 2004 is \$1,500,000. The 2001 Tax Act repealed the generation-skipping transfer tax for taxable transfers occurring in 2010.

If a Contribution is made by a person or entity other than the Account Owner, there could be federal gift, generation-skipping, or estate tax consequences. You should consult a qualified tax advisor regarding such Contributions.

A Distribution from an Account (other than a Tax-Free Rollover Distribution — see “Change in Designated Beneficiary, Rollovers between Accounts, and Transfers or Rollovers Between Qualified Tuition Programs” above under this heading) generally will not be subject to the federal gift tax or generation-skipping transfer tax. If a Distribution is made to a third party and is not for Qualified Higher Education Expenses, however, there could be federal gift, generation-skipping, or estate tax consequences. You should consult a qualified tax advisor regarding such Distributions. A Tax-Free Rollover Distribution or a change in the Designated Beneficiary of an Account generally will not be subject to the federal gift tax or generation-skipping transfer tax if the new Designated Beneficiary is a Member of the Family of the prior Designated Beneficiary, except that such a rollover or change will potentially be subject to the gift tax and the generation-skipping transfer tax if the new Designated Beneficiary is of a younger generation than the prior Designated Beneficiary. It is unclear whether there are federal gift tax consequences if the new Designated Beneficiary is of an older generation than the prior Designated Beneficiary. You should consult a qualified tax advisor prior to completing such a rollover or changing the Designated Beneficiary.

If an Account is transferred to a successor Account Owner, there could be federal gift, generation-skipping, or estate tax consequences. You should consult a qualified tax advisor regarding the transfer of an Account to a successor Account Owner.

Coverdell Education Savings Accounts (formerly known as “Education IRAs”). Under current federal tax law, the annual contribution limit for Coverdell ESAs is, subject to certain limitations, \$2000 per year. The types of expenses that qualify as qualified higher education expenses for purposes of Coverdell ESAs have been expanded to include certain elementary and secondary school expenses. Contributions may be made to both Qualified Tuition Programs and Coverdell ESAs in the same year on behalf of the same Designated Beneficiary without penalty. Tax benefits that are available for distributions from Qualified Tuition Programs and Coverdell ESAs must be coordinated when distributions are made from both types of programs in the same year. Such coordination requires that qualified higher education expenses not be counted more than once for purposes of determining the taxation of distributions from Qualified Tuition Programs and Coverdell ESAs.

Rollovers from Coverdell ESAs. Amounts held in a Coverdell ESA may be rolled over to a Qualified Tuition Program account established for the benefit of the same Designated Beneficiary without subjecting the rollover to federal income tax or penalties. Earnings amounts rolled over from a Coverdell ESA generally will be treated as earnings for purposes of determining the taxable amount of distributions made from the Program.

Hope Scholarship and Lifetime Learning Credits. You may be able to claim a Hope Scholarship Credit or a Lifetime Learning Credit in the same year in which you receive a Distribution from a Qualified Tuition Program. However, the total amount of Qualified Higher Education Expenses taken into account with respect to a Qualified Tuition Program will generally be reduced by the amount of expenses taken into account in determining the Hope Scholarship Credit or Lifetime Learning Credit allowed to the taxpayer. You should consult a qualified tax advisor regarding the availability of these credits and the impact of Distributions from the Program on the amount that can be claimed as a credit.

United States Savings Bonds Used for Educational Expenses. Subject to certain restrictions and limitations, if an individual redeems qualified U.S. Savings Bonds and pays qualified higher education expenses in the same year, no amount will be included in income for federal tax purposes by reason of the redemption of the bonds to the extent that the bond proceeds are determined to be allocable to the qualified higher education expenses. For these purposes, qualified higher education expenses include tuition fees, and contributions to Qualified Tuition Programs. For purposes of determining the amount of U.S. Savings Bond income that can be excluded from income, the amount of qualified higher education expenses will generally be reduced by the amount of expenses that were treated as Qualified Higher Education Expenses for purposes of distributions under a Qualified Tuition Program.

Coordination with Deductions for Tuition and Related Expenses and Student Loan Interest Deductions. Certain taxpayers are allowed to take a current deduction for federal income tax purposes for tuition and related expenses paid during the year. For purposes of determining the amount of tuition and related expenses allowed as a deduction, such amounts must be reduced by the amount of earnings excluded from income for federal tax purposes under Section 529 of the Code. For purposes of determining the amount of a student loan for which interest deductions may be claimed, qualified higher education expenses equal the cost of attendance at the educational institution reduced by the amount of earnings excluded from income for federal income tax purposes under Section 529 of the Code, as well as other nontaxable amounts received for education expenses.

Other Scholarships and Allowances. The total amount of Qualified Higher Education Expenses that can be taken into account under Section 529 of the Code is reduced, as provided in Section 25A(g) of the Code, by the sum of the amounts paid for the benefit of the Designated Beneficiary as qualified scholarships, certain educational assistance allowances or other payments for educational expenses that are excluded from gross income.

Federal Tax Law: Sunset Provisions. The changes set forth in the 2001 Tax Act are effective for taxable years beginning after December 31, 2001. However, the 2001 Tax Act provides that the changes contained therein will not apply for taxable years beginning after December 31, 2010. Therefore, unless Congress enacts additional legislation, the changes under the 2001 Tax Act that took effect for taxable years beginning after December 31, 2001, will no longer apply for taxable years beginning after December 31, 2010. As a result, the former law will again become the applicable law for taxable years beginning on or after December 31, 2010. Such a change in law could have adverse tax and other consequences to you. You should consider the adverse effect such a change in law would have on your investments under the Program before establishing an Account.

Federal Tax Law: After December 31, 2010. After December 31, 2010, the earnings portion of a Distribution that is used to pay the Qualified Higher Education Expenses of the Designated Beneficiary at an Eligible Educational Institution will be included in computing the Designated Beneficiary's taxable income for federal income tax purposes in the year in which the Distribution is paid. The earnings portion of a Distribution made on account of the Designated Beneficiary's death or disability, or as a result of the receipt of a scholarship or allowance, will be included in computing the taxable income of the Account Owner or the Designated Beneficiary, depending on who receives the distribution. The earnings portion of any other Distribution will be includible in computing the recipient's (either the Account Owner or the Designated Beneficiary) income for federal income tax purposes in the year in which the Distribution is paid, and Qualified Tuition Programs will be required to assess a penalty on the earnings portion of such Distributions.

Set forth below is a summary of certain other provisions of the law that will be in effect after December 31, 2010, if Congress does not take any action with respect to the 2001 Tax Act.

- The term "Member of the Family" will not include first cousins of the Designated Beneficiary.
- A Rollover Distribution to an account in another Qualified Tuition Program for the same Designated Beneficiary will be treated as a Distribution that will be subject to federal income taxes and to the penalty described above.
- Qualified Higher Education Expenses will not include expenses for special needs services.
- The scholarships, allowances or payments that are taken into account for purposes of Distributions that are subject to federal income taxes but not additional tax penalties will be those scholarships, allowances or payments described in Section 135(d)(1)(B) or (C) of the Code instead of the ones described in Section 25A(g)(2) of the Code.

The 2001 Tax Law also made substantial changes to federal estate and gift tax laws and the tax laws relating to Coverdell ESAs, rollovers from Coverdell ESAs, Hope Scholarship and Lifetime Learning Credits, the use of qualified U.S. savings bonds for educational expenses, the coordination of the inclusion in gross income of earnings from Qualified Tuition Programs with the deduction from gross income of tuition, related expenses, and student loan interest, and the treatment of scholarships and other allowances. You should consult a qualified tax advisor to determine the tax consequences of the law after December 31, 2010, with respect to these and other subjects.

Exemptions from Registration Under Applicable Securities Laws

.....

The Accounts and the Account Agreements have not been registered under the Securities Act of 1933 in reliance on an exemption from registration available for obligations issued by a public instrumentality of a state. In addition, the Accounts and the Account Agreements have not been registered with any state in reliance on an exemption from registration available for obligations issued by an instrumentality of a state.

The Services Agreement

.....

Services and Term. The Board and the Manager entered into the Services Agreement pursuant to which the Manager will perform the Services or cause them to be performed. Van Kampen will serve as the Manager for the Program for a term commencing on March 7, 2002, and terminating on June 26, 2007 (i.e., the fifth anniversary of the Program Start Date). The Manager is permitted to delegate certain of its responsibilities to its affiliates without the prior consent of the Board. Pursuant to that authority, the Manager has delegated the performance of distribution-related services to its affiliate, Van Kampen Funds, a registered broker-dealer, and the performance of certain transfer agency services to its affiliate, Van Kampen Investor Services, a registered transfer agent. The Manager is also permitted to delegate certain of its responsibilities to non-affiliates with the prior consent of the Board. With the consent of the Board, Van Kampen has delegated: (i) the performance of certain recordkeeping and transfer agency services to BFDS, and (ii) the performance of custody and fund accounting services to State Street. However, no delegation by the Manager shall relieve it of any of its responsibilities under the Services Agreement. The Board will retain the responsibility for selecting, supervising, monitoring, or terminating the Manager and for making all investment decisions under the Program.

Termination. The Services Agreement provides that each of the Board and the Manager may terminate the Services Agreement at any time in response to a material breach of the Service Agreement, after providing notice and an opportunity to cure such alleged breach. The Board may also terminate the Services Agreement upon the occurrence of several events. In particular, the Board may terminate the Services Agreement if the Manager: (i) generally does not pay its debts as they become due, admits in writing to its inability to pay its debts generally, or makes a general assignment for the benefit of its creditors, (ii) becomes the subject of a bankruptcy or insolvency proceeding under the conditions set forth in the Services Agreement, (iii) violates any law or regulation in connection with the performance of its obligations under the Services Agreement or the Rules and fails to cure such violation after receiving written notice from the Board and an opportunity to cure such alleged breach, or (iv) enters into a merger agreement with a nonaffiliated entity pursuant to which the Manager will not be the surviving entity. The Manager may terminate the Services Agreement if legislation, administrative rules, regulations or procedures are adopted by the United States or by the State that: (i) will have a significant adverse effect upon the operation of the Program to the detriment of all, or any class of, Account Owners or Designated Beneficiaries, or to the Manager, including those that will have the effect of causing the provision of the Services by the Manager under the Services Agreement to be economically infeasible; (ii) provides or has as its practical effect that the Board shall no longer be authorized by the Act to administer the Program and/or the Program Trust Fund or that the Treasurer shall no longer be authorized by the Act to handle the day-to-day administration of the Program and/or the Program Administrative Fund; or (iii) adversely affects the ability of the Manager to continue to provide the Services or to receive the compensation provided in the Services Agreement. The Manager also may terminate the Services Agreement if it provides notice to the Board, at least 180 days in advance, that the Manager and its affiliates will cease offering services to Qualified Tuition Programs. Finally, the Services Agreement may be terminated by the mutual consent of both parties.

Audits. Pursuant to the Services Agreement, the Manager shall cause a certified public accounting firm, which firm may be the independent auditor for mutual funds advised by Van Kampen, Van Kampen Investment Advisory or an affiliate of theirs for purposes of such fund's financial statements, to conduct an annual audit of Program administrative and investment activities in accordance with generally accepted auditing standards and practices. The Manager shall provide the Board with a copy of the audit report within 30 days of its receipt from the auditors but not later than 90 days after the end of the Manager's fiscal year. The fiscal year end for the Manager and the Program is November 30.

Miscellaneous

.....

Continuing Disclosure Undertaking. To comply with Rule 15c2-12(b)(5) of the SEC (“Rule 15c2-12”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Board has executed a Continuing Disclosure Undertaking on behalf of the Program Trust Fund for the benefit of the Account Owners. Under the Continuing Disclosure Undertaking, the Program Trust Fund will cause certain financial information and operating data relating to the Program to be provided to each Nationally Recognized Municipal Securities Information Repository (collectively, the “NRMSIRs”) and the Alabama state information depository, if any, on an annual basis. The Program Trust Fund also will cause notice of the occurrence of the enumerated events listed in the Continuing Disclosure Undertaking, if material, to be provided to the NRMSIRs or the Municipal Securities Rulemaking Board and the Alabama state information depository, if any. A failure by the Board to comply with the Continuing Disclosure Undertaking will not constitute a default under the Services Agreement or a material breach of the Services Agreement. In such an instance, Account Owners are limited to the remedies set forth in the Continuing Disclosure Undertaking.

Limitation of Liability. The respective directors, officers, members and employees of the Board shall have no liability for any act or failure to act under the Continuing Disclosure Undertaking. The Board reserves the right to modify its provisions for release of information pursuant to the Continuing Disclosure Undertaking to the extent not inconsistent with the valid and effective provisions of Rule 15c2-12 under the Exchange Act.

Separate Accounting and Reporting. Account Owners will receive statements no less frequently than quarterly confirming Contributions to Accounts, Account Balances, and such other information as may be required by applicable law. Separate accounting will be maintained for each Account. Account Owners generally will have access to Account information 24 hours a day, seven days a week by telephone or through the Manager’s website at www.vankampen.com or through the Treasurer’s website at www.treasury.al.us.

Disputes. As set forth in the Account Agreement, the courts located in Montgomery, Alabama will have exclusive jurisdiction over any legal proceedings between the Account Owner and/or the Designated Beneficiary and the Board that arise out of or relate to participation in the Program. Pursuant to the Account Agreement, in any such proceeding, the Account Owner and the Designated Beneficiary agree to waive any right to a trial by jury. The Account Agreement also provides that any controversy between the Account Owner and/or the Designated Beneficiary and the Manager, any of its affiliates, or an Independent Distributor, arising out of or relating to any transaction in an Account(s), or the construction, performance or breach of the Account Agreement shall be determined by arbitration as described in the Account Agreement.

Procedure for Appeals. An Account Owner or Designated Beneficiary may petition the Board for relief from any decision made by the Board or the Manager pursuant to the Act or the Rules by filing a written petition with the Treasurer. The petition shall be executed under oath and shall include:

- the name and address of the person requesting relief (the “Petitioner”);
- the specific nature of the relief requested;
- the name and address of the Account Owner and Designated Beneficiary of the Account;
- the Account number of the Account in question;
- the section of the Act or Rules or the decision from which the Petitioner is requesting relief;
- the date of the request;
- the social security (or tax identification) number of the Account Owner and the Designated Beneficiary; and
- the notarized signature of the Petitioner.

The response to the petition will be made in writing and will be made within forty-five days of the receipt by the Board of the petition from the Petitioner. The Treasurer, or his/her designee, has the authority to respond to any petition on behalf of the Board. All decisions under this appeals process will be made in accordance with the governing documents of the Program, including the Act and the Rules.

Amendment of the Rules. The Board may promulgate such other rules as are deemed necessary to implement the Higher Education 529 Fund and may amend such Rules as is necessary for the operation of the Higher Education 529 Fund. The Manager will give notice to Account Owners if there is any change to the Rules that affects the rights and responsibilities of Account Owners under the Program.

How to Contact The Program. The Higher Education 529 Fund headquarters are located in the State Capitol Building, Suite S-106, 600 Dexter Avenue, Montgomery, Alabama 36130. Brochures, forms, and enrollment packages for the Higher Education 529 Fund will be available through the Manager's website (www.vankampen.com) and the Treasurer's website (www.treasury.state.al.us). Account information is available at the Manager's website (www.vankampen.com). If you have any questions about the Program, please call the Manager at 866-529-ACCT(2228) or your Financial Advisor.

The Higher Education 529 Fund Program Disclosure Statement

Appendix I

Description of the Underlying Funds

.....

The discussion set forth below relates to the Underlying Funds currently available under the Program. The statements concerning the Underlying Funds contained herein are made as of the date of this Program Disclosure Statement.

Each Underlying Fund is a registered open-end management investment company or a series of such a company. Van Kampen serves as the investment advisor for Van Kampen Emerging Growth Fund, Van Kampen Growth and Income Fund, Van Kampen Equity and Income Fund, Van Kampen Value Opportunities Fund, Van Kampen Comstock Fund, Van Kampen International Advantage Fund, Van Kampen High Income Corporate Bond Fund, Van Kampen Corporate Bond Fund, Van Kampen Government Securities Fund, Van Kampen Limited Maturity Government Fund, and Van Kampen Reserve Fund. Van Kampen Investment Advisory serves as the investment advisor for Van Kampen Growth Fund, Van Kampen Small Cap Value Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund. Morgan Stanley Investment Management Inc. serves as the sub-advisor for Van Kampen International Magnum Fund and Van Kampen Global Franchise Fund. Van Kampen Funds serves as the distributor for the Underlying Funds. Van Kampen Investor Services is the transfer agent for the Underlying Funds.

The Manager, Van Kampen Investment Advisory, Van Kampen Funds, and Van Kampen Investor Services are wholly-owned subsidiaries of Van Kampen Investments Inc. (“Van Kampen Investments”). Van Kampen Investments is a diversified asset management company that administers more than three million retail investor accounts, has extensive capabilities for managing institutional portfolios, and had more than \$84 billion under management or supervision as of December 31, 2003. Van Kampen Investments sponsors more than 50 open-end funds, more than 30 closed-end funds, and more than 2,700 unit investment trusts that are distributed by authorized dealers nationwide. The principal office of Van Kampen Investments is located at 1 Parkview Plaza, Oakbrook Terrace, Illinois 60181-5555. Van Kampen Investments is an indirect, wholly-owned subsidiary of Morgan Stanley. The principal address for Morgan Stanley is 1221 Avenue of the Americas, New York, New York 10020.

Set forth below are definitions of certain key terms used in this Appendix I and descriptions of the investment objectives and investment policies of the Underlying Funds. This information is presented for informational purposes only. No assurance can be given that any Underlying Fund will achieve its investment objective. Account Owners do not own shares or have any direct beneficial interest in the Underlying Funds owned by the Program Trust Fund, and, accordingly, have no rights as owners or shareholders of such Underlying Funds. The descriptions set forth below are qualified in their entirety by reference to the detailed information included in the current Prospectus and SAI for each Underlying Fund. Those documents contain additional information not summarized here.

Definitions

“**Capital growth**” or “**capital appreciation**” or “**growth of capital**,” as used in connection with Van Kampen Emerging Growth Fund, Van Kampen Growth and Income Fund, Van Kampen Equity and Income Fund, Van Kampen Value Opportunities Fund, Van Kampen Comstock Fund, Van Kampen Growth Fund, Van Kampen Small Cap Value Fund, Van Kampen International Advantage Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund, is an investment objective that has the goal of selecting securities having the potential to rise in value rather than generating income.

“Common stocks” are shares of a corporation or other entity that entitle the holder to a pro rata share of the profits of the corporation, if any, without preference over any other class of securities, including such entity’s debt securities, preferred stock, and other senior equity securities.

“Convertible securities” are bonds, debentures, notes, preferred stock, or other securities that may be converted into a prescribed amount of common stock or other security of the same or a different issuer or into cash at a particular time and price.

“Depository receipts” are securities that are generally issued by a bank or financial institution and represent an ownership interest in the common stock or other equity securities of a foreign company.

“Derivative instruments” are instruments whose value depends on (or is derived from) the value of an underlying asset, interest rate or index. Options, futures contracts and options on futures contracts are examples of derivative instruments.

“Duration” is a measure of the expected life of a debt security that was developed as a more precise alternative to the concept of “term to maturity.” Duration incorporates a debt security’s yield, coupon interest payments, final maturity, and call features into one measurement. A duration calculation looks at the present value of a security’s entire payment stream, whereas term to maturity is based solely on the date of a security’s final principal payment.

“Equity securities” include common and preferred stocks, convertible securities, rights and warrants to purchase common stock, and depository receipts.

“Fixed-income securities” are debt securities such as bonds or notes. The issuer of the debt security borrows money from the investor who buys the security. Most debt securities pay either fixed or adjustable rates of interest at regular intervals until they mature, at which point investors receive a return of their principal unless there is a default.

“Investment grade debt securities” are securities rated Baa or higher by Moody’s or BBB or higher by S&P at the time they are purchased, securities issued or guaranteed by the U.S. government and its agencies or instrumentalities, commercial paper rated Prime by Moody’s or A by S&P, and cash and cash equivalents.

“Junk bonds” are securities rated BB or lower by S&P or rated Ba or lower by Moody’s and any unrated securities of comparable quality.

“Moody’s” means Moody’s Investors Service, Inc.

“Mortgage-related securities” represent the right to receive a portion of principal and/or interest payments made on a pool of mortgages issued or guaranteed by private organizations or U.S. government agencies. The yield and payment characteristics of mortgage-related securities differ from traditional debt securities. Mortgage-related securities are characterized by monthly payments to the holder, reflecting the monthly payments made by the borrowers who received the underlying mortgage loans less fees paid to the guarantor and the servicer of such mortgage loans. Additionally, mortgage-related securities are especially sensitive to prepayment risk because borrowers often refinance their mortgages when interest rates drop.

“MSCI AC World Index” means the Morgan Stanley Capital International All Country World Index Free ex USA, a stock market index that includes the securities of issuers from developed and emerging market countries.

“MSCI EAFE Index” means the Morgan Stanley Capital International Europe, Australia and Far East Index, a broadbased, unmanaged index of common stocks, including most nations in Western Europe, Australia, Australia, New Zealand, Hong Kong, and the Far East.

“Preferred stock” generally has a preference as to dividends and liquidation over an issuer’s common stock but ranks junior to debt securities in an issuer’s capital structure.

“Russell 2000 Stock Market Index” means a stock market index of small market capitalization companies.

“S&P” means Standard & Poor’s Rating Services.

“Warrants” are securities that may be exchanged for a prescribed amount of common stock or other equity security of the issuer within a particular period of time at a specified price or in accordance with a specified formula. Warrants do not carry with them the right to dividends and they do not represent any rights to the assets of the issuer.

“Zero coupon securities” are U.S. Treasury bills, which are initially sold at a discount to par value and U.S. Treasury notes and bonds that have been stripped of their unmatured interest coupons or receipts or certificates representing interests in such stripped debt obligations and coupons. Zero coupon securities are purchased at a discount from their face amount, giving the purchaser the right to receive their full value at maturity. A zero coupon security pays no interest to its holder during its life.

Underlying Funds Investing Primarily in Equity Securities

Van Kampen Emerging Growth Fund. The investment objective of Van Kampen Emerging Growth Fund is to seek capital appreciation. Under normal market conditions, Van Kampen seeks to achieve the investment objective of Van Kampen Emerging Growth Fund by investing 65% of its total assets in a portfolio of common stocks of emerging growth companies. Emerging growth companies are those domestic or foreign companies that Van Kampen believes: (i) have rates of earnings growth expected to accelerate or whose rates of earnings growth are expected to exceed that of the overall economy (because of factors such as new or rejuvenated management, new products, services or markets, extended product cycles, acquisitions, or as a result of changing markets or industry conditions), (ii) are early life-cycle companies with the potential to become major enterprises, or (iii) have rising earnings expectations or rising valuations. Emerging growth companies may be of any size, including larger, more established companies or smaller, developing companies. In selecting securities for investment, Van Kampen uses a “bottom-up” disciplined style of investing that emphasizes the analysis of individual stocks rather than economic and market cycles.

Van Kampen Emerging Growth Fund may invest up to 25% of its total assets in securities of foreign issuers. Van Kampen Emerging Growth Fund may purchase and sell certain derivative instruments, such as options, futures contracts, and options on futures contracts, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risk. Up to 5% of Van Kampen Emerging Growth Fund’s net assets may be invested in convertible securities that are below investment grade quality.

Risks of Investing — Van Kampen Emerging Growth Fund is subject to market risk, manager risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, emerging growth stock, foreign securities and options and futures and the risk associated with portfolio turnover, repurchase agreements, and illiquid securities.

Van Kampen Growth and Income Fund. The investment objective of Van Kampen Growth and Income Fund is to seek income and long-term growth of capital. Under normal market conditions, Van Kampen seeks to achieve the investment objective of Van Kampen Growth and Income Fund by investing primarily in a portfolio of income-producing equity securities, including common stocks and convertible securities (although investments are also made in non-convertible preferred stocks and investment grade debt securities).

Van Kampen may focus on larger capitalization companies that it believes possess characteristics for improved valuation. Van Kampen looks for catalysts for change that may positively impact a company, such as new management, industry development, or regulatory change. Although it focuses on larger capitalization companies, Van Kampen Growth and Income Fund may invest in securities of small- or medium-sized companies.

Van Kampen Growth and Income Fund may invest up to 25% of its total assets in securities of foreign issuers, including issuers in developing or emerging market countries and foreign securities in the form of depositary receipts. Van Kampen Growth and Income Fund may purchase and sell certain derivative instruments, such as options, futures contracts, and options on futures contracts, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risks. Up to 15% of Van Kampen Growth and Income Fund’s net assets may be invested in convertible securities that are below investment grade quality.

Risks of Investing — Van Kampen Growth and Income Fund is subject to market risk, manager risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities and options and futures and the risk associated with portfolio turnover, lending, repurchase agreements, and illiquid securities.

Van Kampen Equity and Income Fund. The investment objective of Van Kampen Equity and Income Fund is to seek the highest possible income consistent with safety of principal. Long-term growth of capital is an important secondary investment objective. Under normal market conditions, Van Kampen seeks to achieve the investment objectives of Van Kampen Equity and Income Fund by investing 65% of its total assets in a portfolio of income-producing equity investments, which may include dividend paying common or preferred stock, interest paying convertible debentures or bonds, or zero coupon convertible securities (although investments are also made in investment grade debt securities, including mortgage-backed securities, and warrants or rights to acquire such securities). Under normal market conditions, Van Kampen Equity and Income Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in equity and income securities at the time of investment.

Van Kampen focuses on larger capitalization companies, although Van Kampen Equity and Income Fund may invest in securities of small- or medium-sized companies. Van Kampen Equity and Income Fund emphasizes a value style of investing seeking well-established, undervalued companies that Van Kampen believes offers the potential for income with safety of principal and long-term growth of capital.

Van Kampen Equity and Income Fund may invest up to 25% of its total assets in securities of foreign issuers, including issuers in developing or emerging market countries and foreign securities in the form of depositary receipts. Van Kampen Equity and Income Fund may purchase and sell certain derivative instruments, such as options, futures contracts, and options on futures contracts, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risks. Van Kampen Equity and Income Fund may invest in convertible securities that are below investment grade quality.

Risks of Investing — Van Kampen Equity and Income Fund is subject to market risk, manager risk, call risk, credit risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities and options and futures and the risk associated with portfolio turnover, repurchase agreements, and illiquid securities.

Van Kampen Value Opportunities Fund. The investment objective of Van Kampen Value Opportunities Fund is to seek capital growth and income. Under normal market conditions, Van Kampen seeks to achieve the investment objective of Van Kampen Value Opportunities Fund by investing primarily in a non-diversified portfolio of common stock and other equity securities of value companies. Van Kampen Value Opportunities Fund emphasizes a strategy that generally focuses its investments in a relatively small number of companies and may invest up to (but not including) 25% of its total assets in a single company. Van Kampen Value Opportunities Fund is a “non-diversified” fund, which means it may invest a greater portion of its assets in a more limited number of issues than a “diversified” fund.

Van Kampen Value Opportunities Fund emphasizes a value style of investing, seeking well-established, undervalued companies believed by Van Kampen to possess the potential for capital growth and income. Van Kampen generally seeks to identify companies that are undervalued and have identifiable factors that might lead to improved valuations. Van Kampen Value Opportunities Fund may invest in companies of any size.

Van Kampen Value Opportunities Fund may invest up to 25% of its total assets in securities of foreign issuers, including issuers in developing or emerging market countries and foreign securities in the form of depositary receipts. Van Kampen Value Opportunities Fund may purchase and sell certain derivative instruments, such as options, futures contracts and options on futures contracts, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risks. Up to 5% of Van Kampen Value Opportunities Fund’s net assets may be invested in convertible securities that are below investment grade quality.

Risks of Investing — Van Kampen Value Opportunities Fund is subject to market risk, manager risk, non-diversification risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities and options and futures and the risk associated with portfolio turnover, repurchase agreements, and illiquid securities.

Van Kampen Comstock Fund. The investment objective of Van Kampen Comstock Fund is to seek capital growth and income through investments in equity securities, including common stocks, preferred stocks, and securities convertible into common and preferred stocks. Under normal market conditions, Van Kampen seeks to achieve the investment objective of Van Kampen Comstock Fund by investing in a portfolio of equity securities, consisting principally of common stocks. Under normal market conditions, Van Kampen Comstock Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in common stocks at the time of investment.

Van Kampen Comstock Fund emphasizes a value style of investing, seeking well-established, undervalued companies believed by Van Kampen to possess the potential for capital growth and income. Van Kampen generally seeks to identify companies that are undervalued and have identifiable factors that might lead to improved valuations. Van Kampen Comstock Fund may invest in issuers of small, medium or large companies.

Van Kampen Comstock Fund may invest up to 25% of its total assets in securities of foreign issuers, including issuers in developing or emerging market countries and foreign securities in the form of depositary receipts. Van Kampen Comstock Fund may purchase and sell certain derivative instruments, such as options, futures contracts and options on futures contracts, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risks. Van Kampen Comstock Fund generally holds up to 10% of its total assets in high-quality short-term debt securities and in investment grade corporate debt securities in order to provide liquidity.

Risks of Investing — Van Kampen Comstock Fund is subject to market risk, manager risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities and options and futures and the risk associated with portfolio turnover, repurchase agreements, and illiquid securities.

Van Kampen Growth Fund. The investment objective of Van Kampen Growth Fund is to seek capital growth. Under normal market conditions, Van Kampen Investment Advisory seeks to achieve the investment objective of Van Kampen Growth Fund by investing primarily in common stocks and other equity securities of growth companies. Van Kampen Investment Advisory invests in companies that it believes exhibit some or all of the following characteristics: (i) superior growth prospects, (ii) accelerating returns on invested capital, (iii) sustainable competitive advantages, and (iv) experienced and incentivized management teams. Van Kampen Investment Advisory focuses primarily on bottom-up fundamental analysis, rather than employing a top-down approach.

Van Kampen Growth Fund may invest up to 25% of its total assets in securities of foreign issuers and may invest in debt securities of various maturities considered “investment grade” at the time of investment. Van Kampen Growth Fund may invest in securities of foreign issuers in the form of depositary receipts. Van Kampen Growth Fund may also purchase and sell certain derivative instruments, such as options, futures contracts and options on futures contracts, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risks.

Risks of Investing — Van Kampen Growth Fund is subject to market risk, manager risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities and options and futures and the risk associated with portfolio turnover, lending, borrowing, repurchase agreements, reverse repurchase agreements, when-issued securities, delayed delivery securities, and illiquid securities.

Van Kampen Small Cap Value Fund. The investment objective of Van Kampen Small Cap Value Fund is to seek capital appreciation. Van Kampen Investment Advisory seeks to achieve the investment objective of Van Kampen Small Cap Value Fund by investing primarily in a portfolio of equity securities of small capitalization companies that Van Kampen Investment Advisory believes are undervalued. Van Kampen Small Cap Value Fund’s investments in equity securities include common and preferred stocks and securities convertible into common and preferred stocks. Under normal market conditions, Van Kampen Small Cap Value Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in equity securities of small capitalization companies at the time of investment. Van Kampen Investment Advisory defines small capitalization companies by reference to those companies having market capitalizations in the range of companies represented in the Russell 2000 Stock Market Index.

Van Kampen Small Cap Value Fund emphasizes a “value” style of investing seeking companies that Van Kampen Investment Advisory believes are undervalued with characteristics for improved valuations relative to other companies. In selecting

securities for investment, Van Kampen Small Cap Value Fund uses a “bottom-up” approach that focuses on individual stock selection over economic and industry trends.

Van Kampen Small Cap Value Fund may invest up to 25% of its total assets in securities of foreign issuers, including foreign securities in the form of depositary receipts. Van Kampen Small Cap Value Fund may purchase and sell certain derivative instruments, such as options, futures contracts and options on futures contracts, for various portfolio management purposes, including to facilitate portfolio management and mitigate risks.

Risks of Investing — Van Kampen Small Cap Value Fund is subject to market risk, manager risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities and options and futures and the risk associated with portfolio turnover, repurchase agreements, and illiquid securities.

Van Kampen International Advantage Fund. The investment objective of Van Kampen International Advantage Fund is to seek long-term capital appreciation. Under normal market conditions, Van Kampen seeks to achieve the investment objective of Van Kampen International Advantage Fund by investing primarily in a diversified portfolio of equity securities of foreign issuers. Van Kampen uses a “bottom-up” investment approach to the stock selection process that utilizes the fundamental research performed by its analysts in conjunction with screening models that are designed to evaluate different sectors based upon growth and value measures.

Under normal market conditions, Van Kampen International Advantage Fund invests at least 80% of its total assets in securities of foreign issuers. Van Kampen International Advantage Fund may invest in securities of issuers determined by Van Kampen to be in developing or emerging market countries. Van Kampen International Advantage Fund focuses primarily on issuers from countries comprising the MSCI AC World Index. Van Kampen International Advantage Fund may invest in companies of any size and its investments may include securities in both growth and value style investing. Van Kampen International Advantage Fund may purchase and sell certain derivative instruments, such as options, futures contracts, options on futures contracts and currency-related transactions involving options, futures contracts, forward contracts and swaps, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risks. Up to 5% of Van Kampen International Advantage Fund’s net assets may be invested in convertible securities that are below investment grade quality.

Risks of Investing — Van Kampen International Advantage Fund is subject to market risk, manager risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities, options and futures and forward currency contracts and the risk associated with portfolio turnover, lending, repurchase agreements, when-issued securities, delayed delivery securities, and illiquid securities.

Van Kampen International Magnum Fund. The investment objective of Van Kampen International Magnum Fund is to seek long-term capital appreciation by investing primarily in a portfolio of equity securities of non-U.S. issuers in accordance with the MSCI EAFE Index determined by Van Kampen Investment Advisory. Under normal market conditions, Van Kampen Investment Advisory seeks to achieve the investment objective of Van Kampen International Magnum Fund by investing primarily in a portfolio of what it believes are attractively valued equity securities of non-U.S. issuers using a combination of strategic geographic asset allocation and fundamental stock selection. Van Kampen Investment Advisory makes regional allocation, purchase, and sale decisions considering factors such as relative valuations, earnings expectations, and macroeconomic factors. Van Kampen International Magnum Fund is a “non-diversified” fund, which means it may invest a greater portion of its assets in a more limited number of issues than a “diversified” fund.

Van Kampen International Magnum Fund focuses primarily on issuers from countries comprising the MSCI EAFE Index. Van Kampen International Magnum Fund may, however, invest up to 5% of its total assets in countries not included in the MSCI EAFE Index, including emerging market companies. Under normal market conditions, Van Kampen International Magnum Fund invests at least 65% of its total assets in securities of issuers located in at least three foreign countries. Van Kampen International Magnum Fund may invest in issues in small-, medium- or large-capitalization companies.

Van Kampen International Magnum Fund also may invest up to 35% of its total assets in debt securities, including certain short- and medium-term debt securities as well as money market instruments. Van Kampen International Magnum Fund may purchase and sell certain derivative instruments, such as options, futures contracts, options on futures contracts and currency-

related transactions involving options, futures contracts, forward contracts and swaps, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risk. Van Kampen International Magnum Fund may invest in securities of foreign issuers in the form of depositary receipts. Up to 5% of Van Kampen International Magnum Fund's net assets may be invested in convertible securities that are below investment grade quality.

Risks of Investing — Van Kampen International Magnum Fund is subject to market risk, manager risk, non-diversification risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities, options and futures and forward currency contracts and the risk associated with portfolio turnover, lending, repurchase agreements, and illiquid securities.

Van Kampen Global Franchise Fund. The investment objective of Van Kampen Global Franchise Fund is to seek long-term capital appreciation. Under normal market conditions, Van Kampen Investment Advisory seeks to achieve the investment objective of Van Kampen Global Franchise Fund by investing primarily in a portfolio of publicly traded equity securities of issuers located in the U.S. and other countries that, in the judgment of Van Kampen Investment Advisory, have resilient business franchises and growth potential. Van Kampen Global Franchise Fund is a “non-diversified” fund, which means it may invest a greater portion of its assets in a more limited number of issuers than a “diversified” fund. Van Kampen Global Franchise Fund may invest up to (but not including) 25% of its assets in a single industry.

Van Kampen Global Franchise Fund invests in securities of issuers that Van Kampen Investment Advisory believes have resilient business franchises, strong cash flows, modest capital requirements, capable management, and growth potential. Securities are selected on a global basis with a strong bias towards value. Van Kampen Investment Advisory uses a “bottom-up” investment approach that emphasizes security selection on an individual company basis.

Under normal market conditions, Van Kampen Global Franchise Fund invests at least 65% of its total assets in securities of issuers from at least three countries (including the U.S.). Van Kampen Global Franchise Fund is not subject to any other limitations on the portion of its assets that may be invested in any country or region. Van Kampen Global Franchise Fund may invest in issuers determined by Van Kampen Investment Advisory to be from developing or emerging market countries. Van Kampen Global Franchise Fund may purchase and sell certain derivative instruments, such as options, futures contracts, options on futures contracts, and currency-related transactions involving options, futures contracts, forward contracts and swaps, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risk. Van Kampen Global Franchise Fund may invest in securities of foreign issuers in the form of depositary receipts.

Risks of Investing — Van Kampen Global Franchise Fund is subject to non-diversification risk, market risk, manager risk, the risk of investing in common stock, convertible securities, small and medium capitalization companies, foreign securities, options and futures and forward currency contracts and the risk associated with portfolio turnover, lending, repurchase agreements, when-issued securities, delayed delivery securities, and illiquid securities.

Underlying Funds Investing Primarily in Fixed-Income Securities (Including Cash/Money Market Securities)

Van Kampen High Income Corporate Bond Fund The primary investment objective of Van Kampen High Income Corporate Bond Fund is to seek to maximize current income. Capital appreciation is a secondary investment objective that is sought only when consistent with its primary investment objective. Under normal market conditions, Van Kampen seeks to achieve the investment objectives of Van Kampen High Income Corporate Bond Fund by investing primarily in a portfolio of high-yielding, high-risk bonds (i.e., “junk bonds”) and other income securities, such as convertible securities and preferred stock. With respect to such investments, Van Kampen High Income Corporate Bond Fund has not established any limit on the percentage of its portfolio that may be invested in any rating category. Under normal conditions, Van Kampen High Income Corporate Bond Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in high-yield, high-risk corporate bonds at the time of investment. Van Kampen High Income Corporate Bond Fund invests in a broad range of income securities represented by various companies and industries and traded on various markets.

Under normal market conditions, Van Kampen High Income Corporate Bond Fund invests at least 65% of its total assets in corporate bonds and other income securities with maturities greater than one year. While Van Kampen High Income

Corporate Bond Fund has no policy limiting the maturities of the debt securities in which it may invest, Van Kampen seeks to moderate risk by normally maintaining a portfolio duration of two to six years.

Van Kampen High Income Corporate Bond Fund may invest up to 35% of its total assets in securities issued by foreign governments or foreign corporations. Van Kampen High Income Corporate Bond Fund may purchase and sell certain derivative instruments, such as options, futures contracts and options on futures contracts, for various portfolio management purposes, including to earn income, facilitate portfolio management, and mitigate risk.

Risks of Investing — Van Kampen High Income Corporate Bond Fund is subject to market risk, manager risk, credit risk, interest rate risk, prepayment/call risk, income risk, the risk of investing in zero coupon securities, derivative instruments, convertible securities, securities of foreign issuers and preferred stock and the risk associated with lending, repurchase agreements, and illiquid securities.

Van Kampen Corporate Bond Fund. The primary investment objective of Van Kampen Corporate Bond Fund is to seek to provide current income with preservation of capital. Capital appreciation is a secondary investment objective that is sought only when consistent with the primary investment objective of Van Kampen Corporate Bond Fund. Van Kampen seeks to achieve the investment objectives of Van Kampen Corporate Bond Fund by investing primarily in a portfolio of corporate debt securities.

Under normal market conditions, Van Kampen Corporate Bond Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in corporate debt securities with original maturities of more than one year at the time of investment. Van Kampen Corporate Bond Fund may invest up to 20% of its total assets in convertible securities, which includes convertible bonds as well as convertible preferred stocks. Van Kampen Corporate Bond Fund may invest up to 10% of its total assets in preferred stocks. In addition, up to 20% of the total assets of Van Kampen Corporate Bond Fund may be invested in U.S. dollar denominated securities of foreign governments or corporations. To seek to manage portfolio risks associated with changes in interest rates, Van Kampen Corporate Bond Fund may purchase and sell certain derivative instruments, such as investing in or writing options on U.S. government securities or engaging in transactions involving interest rate futures contracts and options on futures contracts.

Van Kampen Corporate Bond Fund invests in three categories of securities:

Category I.

- securities rated at the time of purchase Baa or higher by Moody's or BBB or higher by S&P;
- securities issued or guaranteed by the U.S. government, its agencies or instrumentalities;
- commercial paper rated Prime by Moody's or A by S&P; and
- cash and cash equivalents.

Category II.

Securities rated Ba by Moody's or BB by S&P.

Category III.

Securities rated B or below by Moody's or S&P or unrated (excluding unrated U.S. government agency obligations).

The ratings specified above apply to preferred stocks as well as to corporate bonds.

At least 60% of Van Kampen Corporate Bond Fund's total assets must be, and up to 100% may be, invested in Category I securities. Up to 40% of Van Kampen Corporate Bond Fund's total assets may be invested in Category II securities. No more than 20% of Van Kampen Corporate Bond Fund's total assets may be invested in Category III securities. Although Van Kampen Corporate Bond Fund may invest up to 40% of its total assets in Category II securities, its current operating policy is to limit such investments to less than 35% of its total assets. Also, Van Kampen Corporate Bond Fund's current

operating policy is not to purchase Category III securities. Securities rated Ba or lower by Moody's or BB or lower by S&P or unrated securities judged by Van Kampen to be of comparable quality are commonly referred to as "junk bonds."

Risks of Investing — Van Kampen Corporate Bond Fund is subject to market risk, manager risk, credit risk, interest rate risk, prepayment/call risk, income risk, the risk of investing in derivative instruments, convertible securities, securities of foreign issuers and preferred stock and the risk associated with lending, repurchase agreements, and illiquid securities.

Van Kampen Government Securities Fund. The investment objective of Van Kampen Government Securities Fund is to seek to provide high current return consistent with preservation of capital. Van Kampen seeks to achieve the investment objective of Van Kampen Government Securities Fund by investing substantially all of the total assets of Van Kampen Government Securities Fund in debt securities issued or guaranteed by the U.S. government and its agencies or instrumentalities, including mortgage-related securities issued or guaranteed by instrumentalities of the U.S. government.

Under normal circumstances, Van Kampen Government Securities Fund invests at least 80% of its net assets (plus any borrowings for investment purposes) at the time of investment in such securities and repurchase agreements fully collateralized by U.S. government securities. Under normal market conditions, Van Kampen Government Securities Fund may invest up to 20% of its total assets in certain government-related securities, including privately issued mortgage-related and mortgage-backed securities not directly guaranteed by instrumentalities of the U.S. government and privately issued certificates representing "stripped" U.S. government or mortgage-related securities. While Van Kampen Government Securities Fund has no policy limiting the maturities of its investments, Van Kampen seeks to maintain a portfolio duration of three to eight years. Although securities purchased for Van Kampen Government Securities Fund's portfolio may be issued or guaranteed by the U.S. government, shares of Van Kampen Government Securities Fund purchased by the Program Trust Fund are not insured or guaranteed by the U.S. government or its agencies or instrumentalities, or by any other person or entity.

Van Kampen Government Securities Fund may purchase and sell certain derivative instruments, such as options, futures contracts, options on futures contracts, and interest rate swaps or other interest rate-related transactions, for various portfolio management purposes, including to earn income, facilitate portfolio management and mitigate risk. Van Kampen Government Securities Fund may purchase and sell securities on a when-issued or delayed delivery basis.

Risks of Investing — Van Kampen Government Securities Fund is subject to market risk, manager risk, credit risk, interest rate risk, prepayment/call risk, income risk, extension risk, the risk of investing in mortgage-related securities, zero coupon securities and derivative instruments and the risk associated with lending, repurchase agreements, when-issued securities, delayed delivery securities, and illiquid securities.

Van Kampen Limited Maturity Government Fund. The investment objective of Van Kampen Limited Maturity Government Fund is to seek to provide a high current return and relative safety of capital. Under normal market conditions, Van Kampen seeks to achieve the investment objective of Van Kampen Limited Maturity Government Fund's by investing at least 80% of its net assets (plus any borrowings for investment purposes) at the time of investment in securities issued or guaranteed by the U.S. government and its agencies or instrumentalities, including mortgage-related securities issued or guaranteed by agencies or instrumentalities of the U.S. government and repurchase agreements fully collateralized by U.S. government securities. Under normal market conditions, Van Kampen Limited Maturity Government Fund may invest up to 20% of its net assets in certain government-related securities, including privately issued mortgage-related and mortgage-backed securities not directly issued or guaranteed by the U.S. government, and its agencies or instrumentalities, asset-backed securities, corporate debt obligations or other debt securities provided that such obligations are rated at the time of purchase within the two highest grades assigned by S&P or Moody's or another nationally recognized statistical rating organization or unrated debt securities considered by Van Kampen to be of comparable quality. While securities purchased for the portfolio of Van Kampen Limited Maturity Government Fund may be issued or guaranteed by the U.S. government, shares of Van Kampen Limited Maturity Government Fund purchased by the Program Trust Fund are not insured or guaranteed by the U.S. government, its agencies and instrumentalities, or by any other person or entity.

While Van Kampen Limited Maturity Government Fund has no policy limiting the maturities of the individual debt securities in which it may invest, Van Kampen seeks to maintain a portfolio duration of six months to five years. Van Kampen Limited Maturity Government Fund may purchase and sell certain derivative instruments, such as options, futures contracts, options on futures contracts and interest rate swaps or other interest rate-related transactions, for various portfolio management

purposes, including to earn income, facilitate portfolio management and mitigate risk. Van Kampen Limited Maturity Government Fund may purchase and sell securities on a when-issued or delayed delivery basis.

Risks of Investing — Van Kampen Limited Maturity Government Fund is subject to market risk, manager risk, credit risk, interest rate risk, prepayment/call risk, income risk, extension risk, the risk of investing in mortgage-related securities, zero coupon securities and derivative instruments and the risk associated with lending, repurchase agreements, when-issued securities, delayed delivery securities, and illiquid securities.

Van Kampen Reserve Fund The investment objective of Van Kampen Reserve Fund is to seek protection of capital and high current income. Van Kampen seeks to achieve the investment objective of Van Kampen Reserve Fund by investing in a portfolio of U.S. dollar-denominated money-market securities, including U.S. government securities, domestic and foreign bank obligations, commercial paper, and repurchase agreements secured by such obligations. Van Kampen Reserve Fund seeks to maintain a constant net asset value of \$1.00 per share by investing in money-market securities with remaining maturities of 13 months or less and with a dollar-weighted average maturity of 90 days or less. The investments of Van Kampen Reserve Fund are limited to those securities that meet maturity, quality, and diversification standards with which money market funds must comply.

Risks of Investing — An investment in the Van Kampen Reserve Fund is not a deposit of any bank or other insured depository institution, and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Van Kampen Reserve Fund is subject to market risk, manager risk, credit risk, interest rate risk, income risk and the risk associated with repurchase agreements, and illiquid securities.

Temporary Defensive Strategies. Certain Underlying Funds, particularly Van Kampen Emerging Growth Fund, Van Kampen Growth and Income Fund, Van Kampen Equity and Income Fund, Van Kampen Value Opportunities Fund, Van Kampen Comstock Fund, Van Kampen Growth Fund, Van Kampen Small Cap Value Fund, Van Kampen International Advantage Fund, Van Kampen International Magnum Fund, Van Kampen Global Franchise Fund, Van Kampen High Income Corporate Bond Fund, and Van Kampen Corporate Bond Fund, may take temporary “defensive” positions in attempting to respond to adverse market conditions. These Underlying Funds may invest any amount of their respective assets in cash or other temporary investments as discussed in the current Prospectus and SAI of the Underlying Fund when the applicable advisor or sub-advisor believes it is advisable to do so. Although taking a defensive posture is designed to protect such Underlying Funds from an anticipated market downturn, it could have the effect of reducing the benefit from any up-swing in the market. When an Underlying Fund takes a defensive position, it may be less likely to achieve its investment objective.

Other Investment Practices of the Underlying Funds. In addition to their principal investment practices, certain Underlying Funds may lend portfolio securities; enter into stock index, interest rate, and currency futures contracts, and options on such contracts; engage in options transactions; make short sales; purchase restricted and illiquid securities; purchase Rule 144A securities, purchase securities on a when-issued or delayed delivery basis; enter into repurchase agreements or reverse repurchase agreements; borrow money; and engage in various other investment practices.

Investment Performance of the Underlying Funds

Information concerning the historical investment performance of the Underlying Funds is set forth in the current Supplement to this Program Disclosure Statement.

The Underlying Funds — Risk Factors and Special Considerations

Accounts are subject to a variety of investment risks that will vary based on the asset allocation and Underlying Funds for a Fixed Portfolio or a Years to Enrollment Portfolio and the Underlying Fund for an Individual Fund Portfolio. Set forth below is a summary of certain investment risks relating to Underlying Funds that invest primarily in equity securities, a summary of certain investment risks relating to Underlying Funds that invest primarily in fixed-income securities (including cash/money market securities), and a summary of certain other risk factors.

Investment Risks Applicable to Underlying Funds Investing Primarily in Equity Securities

Set forth below are the investment risks relating to Underlying Funds investing primarily in equity securities. These Underlying Funds are Van Kampen Emerging Growth Fund, Van Kampen Growth and Income Fund, Van Kampen Equity and Income Fund, Van Kampen Value Opportunities Fund, Van Kampen Comstock Fund, Van Kampen Growth Fund, Van Kampen Small Cap Value Fund, Van Kampen International Advantage Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund.

Market Risk. Underlying Funds investing primarily in equity securities are subject to market risk. Market risk is the possibility that the market values of securities owned by an Underlying Fund will decline. Market risk may affect a single issuer, an industry, a sector of the economy or the market as a whole. In general, market values of equity securities are more volatile than those of debt securities. Investments in common stocks and other equity securities generally are affected by changes in the stock markets, which fluctuate substantially over time, sometimes suddenly and sharply.

The investments for the Underlying Funds that invest primarily in equity securities may include securities in both “growth” and “value” style investing. The market prices of “growth” securities may be more volatile than other types of investments. The returns on such securities may or may not move in tandem with the returns on other styles of investing or the overall securities markets. The “value” style of investing is subject to the risk that stock valuations never improve or that the returns on “value” securities are less than returns on other styles of investing or the overall securities market. Different types of securities tend to shift in and out of favor depending on market and economic conditions.

The Underlying Funds that invest primarily in equity securities may invest in companies of any size. Securities prices of small and medium-sized companies often fluctuate more and may fall more than the securities prices of larger, more established companies during an overall securities market decline. Finally the Underlying Funds that invest primarily in equity securities may invest in the securities of foreign issuers. Foreign markets may, but often do not, move in tandem with U.S. markets, and foreign markets, especially developing or emerging market countries, may be more volatile than U.S. markets.

Manager Risk. Underlying Funds investing primarily in equity securities are subject to manager risk. Manager risk is the possibility that the investment advisor for an Underlying Fund may not be successful in selecting the best-performing securities or investment techniques. As a result, an Underlying Fund’s investment performance may lag behind that of similar mutual funds or relevant indices.

Common Stocks. A principal risk associated with Underlying Funds that invest primarily in equity securities is the risk associated with their common stock investments. In general, stock prices fluctuate in response to activities specific to the issuer, as well as general market, economic, financial, and political conditions. The prices of these securities can fluctuate widely in response to these factors.

Convertible Securities. The Underlying Funds investing primarily in equity securities are subject to the risks associated with convertible securities. An Underlying Fund’s investments in convertible securities are affected by changes similar to those of equity and debt securities. The values of convertible securities tend to decline as interest rates rise and, because of the conversion feature, tend to vary with fluctuations in the market of the underlying equity security. To the extent that a

convertible security's investment value is greater than its conversion value, its price is likely to increase when interest rates fall and decrease when interest rates rise, as with a fixed-income security. If the conversion value exceeds the investment value, the price of the convertible security will tend to fluctuate directly with the price of the underlying equity security. A portion of the convertible securities in which Van Kampen Emerging Growth Fund, Van Kampen Growth and Income Fund, Van Kampen Equity and Income Fund, and Van Kampen Value Opportunities Fund may invest may be rated below investment grade. Debt securities rated below investment grade are commonly known as "junk bonds." Investors should be aware that convertible securities rated in these categories are considered high risk securities; the rating agencies consider them speculative with respect to issuer's continuing ability to make timely payments of interest and principal. Thus, to the extent that such convertible securities are acquired by an Underlying Fund, there is a greater risk as to the timely repayment of the principal of, and timely payment of interest or dividends on, such securities than in the case of higher-rated convertible securities. In particular, junk bonds generally are less liquid and experience more price volatility than more highly rated debt securities. The issuers of junk bonds may have a larger amount of outstanding debt relative to their assets than issuers of investment grade bonds. In the event of an issuer's bankruptcy, claims of other creditors may have priority over the claims of junk bond holders, leaving few or no assets available to repay junk bond holders. Junk bonds may be subject to greater call and redemption risk than more highly rated debt securities.

Small and Medium Capitalization Stocks. Van Kampen Small Cap Value Fund invests primarily in small capitalization companies. Additionally, the other Underlying Funds that invest primarily in equity securities may invest in securities of small or medium-sized companies. Investing in the equity securities of small and medium-sized companies may involve risks not ordinarily associated with investments in large capitalization companies. Securities of small and medium-sized companies carry additional risks because their earnings generally tend to be less predictable, they often have limited product lines, markets, distribution channels or financial resources, and the management of such companies may be dependent upon one or a few key people. The market movements of securities of small and medium-sized companies may be more abrupt or erratic than the market movements of securities of larger, more established companies or the stock market in general. In addition, because securities of small and medium-sized companies generally are less liquid than those of larger capitalization companies, an Underlying Fund could have greater difficulty selling such securities at a time and price that the Underlying Fund would like.

Emerging Growth Stocks. Van Kampen Emerging Growth Fund invests primarily in a portfolio of common stocks of companies considered by Van Kampen to be emerging growth companies. Investing in emerging growth companies involves risks not ordinarily associated with investments in other companies. The stocks of emerging growth companies can be subject to more abrupt or erratic market movements than the stock market in general. In addition, the securities of such companies may trade at higher price to earnings ratios than average and rates of earnings growth may be volatile.

Foreign Securities. Van Kampen International Advantage Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund all invest primarily in foreign securities. Additionally, the other Underlying Funds that invest primarily in equity securities may also invest a portion of their assets in foreign securities. Investments in securities of foreign issuers present certain risks not ordinarily associated with investments in securities of U.S. issuers. These risks include fluctuations in foreign currency exchange rates, political, economic or legal developments (including war or other instability, expropriation of assets, nationalization and confiscatory taxation), the imposition of foreign exchange limitations (including currency blockage), withholding taxes on income or capital transactions or other restrictions, higher transaction costs (including higher brokerage, custodial and settlement costs and currency conversion costs) and possible difficulty in enforcing contractual obligations or taking judicial action. Securities of foreign issuers may not be as liquid and may be more volatile than comparable securities of domestic issuers.

In addition, often there is less publicly available information about many foreign issuers, and issuers of foreign securities are subject to different, often less comprehensive, auditing, accounting, and financial reporting disclosure requirements than domestic issuers. There is generally less government regulation of exchanges, brokers, and listed companies abroad than in the United States, and, with respect to certain foreign countries, there is a possibility of expropriation of private-sector assets or confiscatory taxation, or diplomatic developments that could affect investment in those countries. Because there is usually less supervision and governmental regulation of foreign exchanges, brokers, and dealers than in the United States, an Underlying Fund may experience settlement difficulties or delays not usually encountered in the United States. Delays in making trades in foreign securities relating to volume constraints, limitations or restrictions, clearance or settlement procedures, or otherwise

could affect returns and result in temporary periods when assets of an Underlying Fund are not fully invested or attractive investment opportunities are forgone.

Each Underlying Fund that invests primarily in equity securities may invest in securities of issuers determined by an Underlying Fund's investment advisor to be in developing or emerging market countries. Investments in securities of issuers in developing or emerging market countries are subject to greater risks than an Underlying Fund's investments in securities of developed countries since emerging market countries tend to have economic structures that are less diverse and mature and political systems that are less stable than those in developed countries.

In addition to the increased risks of investing in foreign securities, there are often increased transaction costs associated with investing in the securities of foreign issuers, including the costs incurred in connection with converting currencies, higher foreign brokerage or dealer costs, and higher settlement costs or custodial costs.

Because the Underlying Funds that invest primarily in equity securities may invest in securities denominated or quoted in currencies other than the U.S. dollar, those Underlying Funds with such investments will be affected by changes in foreign currency exchange rates (and exchange control regulations) that affect the value of investments in such Underlying Funds and the accrued income and appreciation or depreciation of the investments. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of an Underlying Fund's assets denominated in that currency and the Underlying Fund's return on such assets, as well as temporary uninvested reserves in bank deposits in foreign currencies. In addition, an Underlying Fund will incur costs in connection with conversions between various currencies.

Underlying Funds that invest in foreign securities in the form of depositary receipts will involve substantially identical risks to those associated with direct investment in foreign securities. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

Non-Diversification Risk. Van Kampen Value Opportunities Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund are classified as "non-diversified" funds, which means that they may invest a greater portion of their assets in a more limited number of issuers than a "diversified" fund. As a result, Van Kampen Value Opportunities Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund may be subject to greater risk than a diversified fund because changes in the financial condition or market assessment of a single issuer may cause greater fluctuations in the value of the shares of those Underlying Funds.

Portfolio Turnover. Each Underlying Fund may engage in active and frequent trading of its portfolio securities. Such trading may result in higher transaction costs (i.e., brokerage commissions) and lower investment returns for an Underlying Fund.

Options and Futures. The Underlying Funds that invest primarily in equity securities may, but are not required to, use various investment strategic transactions, including options, futures contracts, and options on futures contracts, in several different ways depending upon the status of the Underlying Fund's investments and the expectations of the Underlying Fund's investment advisor concerning the securities markets. Although the Underlying Fund's investment advisor seeks to use these transactions to further the Underlying Fund's investment objective, no assurance can be given that the use of these transactions will achieve this result. These transactions involve risks different from those involved with direct investments in underlying securities. For example, there may be an imperfect correlation between the value of the instruments and the underlying assets. In addition, the use of these transactions includes the risks of default by the other party to certain transactions. An Underlying Fund may incur losses in using these transactions that partially or completely offset gains in portfolio positions. These transactions may not be liquid and also involve manager risk. In addition, such transactions may involve commissions and other costs, which may increase an Underlying Fund's expenses and reduce its return.

Forward Currency Contracts. Van Kampen International Advantage Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund may purchase and sell foreign currency on a spot (i.e., cash) basis in connection with the settlement of transactions in securities traded in such foreign currency. Such Underlying Funds also may enter into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date ("forward

contracts”). A foreign currency forward contract is a negotiated agreement between the contracting parties to exchange a specified amount of currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract.

Van Kampen International Advantage Fund, Van Kampen International Magnum Fund, and Van Kampen Global Franchise Fund may attempt to protect against adverse changes in the value of the U.S. dollar in relation to a foreign currency by entering into a forward contract for the purchase or sale of the amount of foreign currency invested or to be invested, or by buying or selling a foreign currency option or futures contract for such amount. Such strategies may be employed before the Underlying Fund purchases a foreign security traded in the currency that the Underlying Fund expects to acquire or between the date the foreign security is purchased or sold and the date on which payment therefor is made or received. Seeking to protect against a change in the value of a foreign currency in the foregoing manner does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Furthermore, such transactions reduce or eliminate the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. Unanticipated changes in currency prices may result in poorer overall performance for an Underlying Fund than if it had not entered into such contracts. The contracts also may increase the volatility of and may involve a significant risk to those Underlying Funds.

Call/Credit Risk. Van Kampen Equity and Income Fund may be subject to call risk, credit risk, and the special risks of investing in mortgage-backed securities. See “Investment Risks Applicable to Underlying Funds Investing Primarily in Fixed-Income Securities (including Cash/Money Market Securities)” in this Appendix I.

Investment Risks Applicable to Underlying Funds Investing Primarily in Fixed-Income Securities (including Cash/Money Market Securities)

Set forth below are the investment risks applicable to Underlying Funds investing primarily in fixed-income securities (including cash/money market securities). These Underlying Funds are Van Kampen High Income Corporate Bond Fund, Van Kampen Corporate Bond Fund, Van Kampen Government Securities Fund, Van Kampen Limited Maturity Government Fund, and Van Kampen Reserve Fund.

Market Risk and Manager Risk. Underlying Funds investing primarily in fixed-income securities (including cash/money market securities) are subject to both market risk and manager risk. Market risk is the possibility that the market values of securities owned by an Underlying Fund will decline. The prices of debt securities tend to fall as interest rates rise, and such declines tend to be greater among debt securities with longer maturities. To the extent that an Underlying Fund invests in securities with longer maturities, that Underlying Fund is subject to greater market risk than a fund investing solely in shorter-term securities. Lower-grade securities may be more volatile and may decline more in price in response to negative issuer developments or general economic news than higher-grade securities. Manager risk is the possibility that the investment advisor for an Underlying Fund may not be successful in selecting the best performing securities or investment techniques, and an Underlying Fund’s performance may lag behind that of similar funds.

Credit Risk. Underlying Funds investing primarily in fixed-income securities (including cash/money market securities) are subject to credit risk. Credit risk refers to the ability of the issuer to make timely payments of interest and principal. To the extent that an Underlying Fund invests in securities with medium- or lower-credit qualities, it is subject to a higher level of credit risk than an Underlying Fund that invests only in investment grade securities. The credit quality of noninvestment grade securities is considered speculative by recognized rating agencies with respect to the continuing ability of the issuer to pay interest and principal. Lower-grade securities may have less liquidity and a higher incidence of default than higher-grade securities. An Underlying Fund may incur higher expenses to protect its interest in such securities. The credit risks and market prices of lower-grade securities generally are more sensitive to negative issuer developments, such as reduced revenues or increased expenditures, or adverse economic conditions, such as a recession, than are higher-grade securities.

Interest Rate Risk. Underlying Funds investing primarily in fixed-income securities (including cash/money market securities) are subject to interest rate risk. Interest rate risk refers to fluctuations in the value of a fixed-income security resulting from changes in the general level of interest rates. In general, the prices of debt securities vary inversely with interest rates. When the general level of interest rates goes up, the prices of most fixed-income securities go down. When the general level of interest rates goes down, the prices of most fixed-income securities go up. Zero coupon securities are typically subject to greater price fluctuations than comparable securities that pay interest. Prices of longer term debt obligations generally

change more in response to changes in the general level of interest rates than prices of shorter term debt obligations. In addition, the prices of lower-grade securities generally are less sensitive to change in interest rates but are more sensitive to specific issuer developments or real or perceived general adverse changes than higher-rate securities. Debt securities purchased at a premium or discount from their principal amount may respond differently to changes in interest rates. If an Underlying Fund is not limited as to the maturities of the securities in which it may invest, it may be particularly subject to interest rate risk.

Prepayment/Call Risk. Van Kampen High Income Corporate Bond Fund, Van Kampen Corporate Bond Fund, Van Kampen Government Securities Fund, and Van Kampen Limited Maturity Government Fund are subject to prepayment/call risk. If interest rates fall, it is possible that issuers of income securities with high interest rates will prepay principal or “call” their securities before their maturity dates. In this event, the proceeds from the prepaid or called securities are likely to be reinvested by an Underlying Fund in securities bearing the new, lower interest rates, resulting in a possible decline in the income and distributions to shareholders of an Underlying Fund.

Mortgage-Related Securities. Van Kampen Government Securities Fund and Van Kampen Limited Maturity Government Fund may invest in pools of mortgages issued or guaranteed by private organizations or U.S. government agencies. Mortgage-related securities generally have different risk characteristics than traditional debt securities. Although generally the value of fixed-income securities increases during periods of falling interest rates and decreases during periods of rising interest rates, this is not always the case with mortgage-related securities. This is due to the fact that principal on underlying mortgages may be prepaid at any time as well as other factors. Generally, prepayments on underlying mortgages will increase during a period of falling interest rates and decrease during a period of rising interest rates. The rate of prepayments on underlying mortgages also may be influenced by economic and other factors. Prepayment risk includes the possibility that, as interest rates fall, securities with stated interest rates may have the principal prepaid earlier than expected, requiring an Underlying Fund to invest the proceeds at generally lower interest rates.

Investments in mortgage-related securities are made based upon, among other things, expectations regarding the rate of prepayments on underlying mortgage pools. Rates of prepayment, faster or slower than expected by the applicable investment manager, could reduce the Underlying Fund’s yield, increase the volatility of the Underlying Fund and/or cause a decline in net asset value. Certain types of mortgage-related securities may be more volatile and less liquid than other traditional types of debt securities.

Extension Risk. Van Kampen Government Securities Fund and Van Kampen Limited Maturity Government Fund are subject to extension risk. The prices of debt securities tend to fall as interest rates rise. For mortgage-related securities, if interest rates rise, borrowers may prepay mortgages more slowly than originally expected. This may further reduce the market value of the securities and lengthen their durations.

Zero Coupon Securities. Van Kampen High Income Corporate Bond Fund, Van Kampen Government Securities Fund, and Van Kampen Limited Maturity Government Fund may purchase zero coupon securities. Such securities are purchased at a discount from their face amount, giving the purchaser the right to receive their full value at maturity. The interest earned on such securities is implicitly automatically compounded and paid at maturity. While such compounding at a constant rate eliminates the risk of receiving lower yields upon reinvestment of interest if prevailing interest rates decline, the owner of a zero coupon security will be unable to participate in higher yields upon reinvestment of interest received on interest-paying securities if prevailing interest rates rise.

A zero coupon security pays no interest to its holder during its life. Therefore, to the extent an Underlying Fund invests in zero coupon securities, it will not receive current cash available for distribution to shareholders. In addition, zero coupon securities are subject to substantially greater price fluctuations during periods of changing prevailing interest rates than are comparable securities that pay interest on a current basis.

Income Risk. Underlying Funds investing primarily in fixed-income securities (including cash/money market securities) are subject to income risk. The income received from an Underlying Fund is based primarily on interest rates and credit risk, which can vary widely over the short- and long-term. If interest rates drop, income received from an Underlying Fund may drop as well.

Risks of Using Derivative Instruments. Van Kampen High Income Corporate Bond Fund, Van Kampen Corporate Bond Fund, Van Kampen Government Securities Fund, and Van Kampen Limited Maturity Government Fund may use derivative instruments. In general terms, a derivative instrument is one whose value depends on (or is derived from) the value of an underlying asset, interest rate or index. Options, futures contracts and options on futures contracts are examples of derivative instruments. Derivative instruments involve risks different from direct investments in underlying securities. These risks include imperfect correlation between the value of the instruments and the underlying assets; risk of default by the other party to certain transactions; risks that the transactions may result in losses that partially or completely offset gains in portfolio positions; and risks that the transactions may not be liquid.

Foreign Risks. Van Kampen High Income Corporate Bond Fund and Van Kampen Corporate Bond Fund may own securities of foreign issuers, and thus may be subject to risks not usually associated with owning securities of U.S. issuers. These risks can include fluctuations in foreign currencies, foreign currency exchange controls, political and economic instability, differences in financial reporting, differences in securities regulation and trading and foreign taxation issues.

Convertible Securities. Van Kampen High Income Corporate Bond Fund and Van Kampen Corporate Bond Fund may invest in convertible securities, and thus may be subject to the risks associated with such investments. See “Investment Risks Applicable to Underlying Funds Investing Primarily in Equity Securities.”

Preferred Stock. Van Kampen High Income Corporate Bond Fund and Van Kampen Corporate Bond Fund may invest in preferred stocks. Preferred stocks may provide a higher dividend rate than the interest yield on debt securities of the same issuer, but are subject to greater risk of fluctuation in market value and greater risk of non-receipt of income.

Other Risk Factors

Set forth below are other investment risks relating both to the Underlying Funds investing primarily in equity securities and to the Underlying Funds investing primarily in fixed-income securities (including cash/money market securities).

Borrowing Risk. Van Kampen Growth Fund may borrow money for investment purposes. Borrowing may exaggerate changes in the net asset value of Underlying Fund shares and in the yield on an Underlying Fund’s portfolio and may generate interest expense and other fees that reduce an Underlying Fund’s return.

Securities Lending. Van Kampen Growth and Income Fund, Van Kampen Growth Fund, Van Kampen International Advantage Fund, Van Kampen International Magnum Fund, Van Kampen Global Franchise Fund, Van Kampen High Income Corporate Bond Fund, Van Kampen Corporate Bond Fund, Van Kampen Government Securities Fund, and Van Kampen Limited Maturity Government Fund are all subject to the risk of securities lending. Securities lending involves the risk that the borrower may fail to return the securities in a timely manner or at all. As a result, an Underlying Fund may lose money and there may be a delay in recovering the loaned securities. An Underlying Fund could also lose money if it does not recover the securities and the value of the collateral falls. These events could trigger adverse tax consequences to an Underlying Fund.

Repurchase Agreement Risk. Each Underlying Fund and the Portfolios are subject to repurchase agreement risk. A repurchase agreement is a short-term investment in which the purchaser acquires ownership of a security and the seller agrees to repurchase the obligation at a future time and set price, thereby determining the yield during the holding period. If the counterparty to a repurchase agreement defaults on its obligation under the agreement, an Underlying Fund or a Portfolio may suffer delays and incur costs or even lose money in exercising its rights under the agreement.

Reverse Repurchase Agreement Risk. Van Kampen Growth Fund may engage in reverse repurchase agreements. Reverse repurchase agreements involve the risk that the other party may fail to return the securities in a timely manner or at all. An Underlying Fund could lose money if it is unable to recover the securities and the value of the collateral held by the Underlying Fund is less than the value of the securities. These events could trigger adverse tax consequences to an Underlying Fund.

When-Issued Securities, Delayed Delivery Securities. Van Kampen Growth Fund, Van Kampen International Advantage Fund, Van Kampen Global Franchise Fund, Van Kampen Government Securities Fund, and Van Kampen Limited Maturity Government Fund may purchase securities on a “when-issued” and “delayed delivery” basis.

When-issued and delayed delivery securities involve the risk that the security an Underlying Fund buys will lose value prior to its delivery. There also is the risk that the security will not be issued or that the other party will not meet its obligation. If this occurs, an Underlying Fund both loses the investment opportunity for the assets it has set aside to pay for the security and any gain in the security's price.

Illiquid Securities. Each Underlying Fund may own illiquid securities. Owning illiquid securities involves the risk that such securities may be difficult or impossible to sell at the time and the price that the Underlying Fund would like. Thus, the Underlying Fund may have to sell such securities at a lower price, sell other securities instead to obtain cash, or forgo other investment opportunities.

More Information About the Underlying Funds

.....

The Program Disclosure Statement describes the principal investment strategies of the Underlying Funds and the principal risks associated with those investment strategies. Additional information regarding the investment practices of each Underlying Fund and the related risks is located in the current Prospectus and SAI of the applicable Underlying Fund. Please call (800) 341-2911 or visit www.vankampen.com for more information about the Underlying Funds or copies of their current Prospectuses and SAIs. No offer is made in the Program Disclosure Statement or the current Supplement to sell shares of any Underlying Fund.

Higher Education 529 Fund Account Agreement

General Information

Unless the context otherwise requires, capitalized terms used in this Account Agreement shall have the meanings given to them in the Program Disclosure Statement.

This Account Agreement between you and the Board, as amended and supplemented from time to time, governs the terms of each Account established by you pursuant to your submission to the Manager of a properly completed Enrollment Form, a properly completed Change of Investment Selections Form, or a properly completed Change of Designated Beneficiary Form. By signing an Enrollment Form, you agree to be bound by the terms of this Account Agreement, the Rules, and the Act with respect to: (a) each Account established by you on that Enrollment Form, (b) each Account established by you on a Change of Investment Selections Form, and (c) each Account established by you on a Change of Designated Beneficiary Form.

The Higher Education 529 Fund was established by the State under the Act to allow natural persons who are at least 19 years of age and citizens or residents of the United States and certain organizations to fund the Qualified Higher Education Expenses of a Designated Beneficiary at an Eligible Educational Institution. The term Eligible Educational Institution generally includes most community colleges, public and private four-year colleges, universities, graduate and post-graduate programs, and certain proprietary and vocational schools. The term Qualified Higher Education Expenses generally includes tuition, required fees, books, supplies, and equipment required for the enrollment or attendance of a Designated Beneficiary at an Eligible Educational Institution and the cost of room and board (subject to certain limits).

Under the Act, the Board oversees the administration of the Program and its members act as the trustees of the Program Trust Fund. Pursuant to the Act, the Board has delegated day-to-day administration of the Program to the Treasurer. Under the Act, the Board is authorized to employ private sector firms to provide investment management, accounting, and recordkeeping services for the Program, to offer and sell Accounts, Account Agreements, and interests in Portfolios denominated in Units, to process forms, and to provide other services relating to the Program. Pursuant to the Services Agreement, the Board has selected Van Kampen to act as the Manager of the Program.

The Program Trust Fund holds the assets of the Program. These assets are derived from Contributions to Accounts, less any sales charges, fees, or expenses, and the earnings thereon, if any. The Program's investment alternatives are made available through Portfolios. Each Portfolio represents a separate, segregated portfolio of investments. Accounts will be assigned to the Portfolio(s) initially selected by the Account Owner on the appropriate form.

You could lose money (including amounts contributed to your Account) or not make money, if you participate in the Program. The Accounts, amounts contributed to an Account, the investment return, if any, on an Account, and the future value of an Account and investments under the Program are not deposits of any bank or other insured depository institution, and are not debt obligations of, or insured or guaranteed by the FDIC, the State, the Board, the Treasurer, the Program Trust Fund, any other state or federal governmental agency, the Manager, Van Kampen Funds, Van Kampen Investment Advisory, Van Kampen Investor Services, BFDS, State Street, or any of their affiliates, any agent or representative retained in connection with the Program, any other person, or any depository institution.

The Program Disclosure Statement and the current Supplement to the Program Disclosure Statement describe the terms of the Program in greater detail and are incorporated in their entirety into this Account Agreement. **Before making any investment under the Program, you should read the Program Disclosure Statement and the current Supplement to the Program Disclosure Statement in their entirety.**

1. Investment Selections

- (a) The Program Trust Fund holds the assets of the Program. These assets are derived from Contributions to Accounts and the earnings thereon, if any. The Program's investment alternatives are made available through Portfolios. Each Portfolio represents a separate, segregated portfolio of investments. For each Fixed Portfolio and each Years to Enrollment Portfolio, the Manager recommends to the Board and the Board approves: (i) a percentage asset allocation by investment sector, and

(ii) specific Underlying Funds that are consistent with the asset allocation by investment sector. The Manager recommends to the Board and the Board approves the specific Underlying Fund that is used for each Individual Fund Portfolio.

- (b) Accounts will be assigned to the Portfolio(s) initially selected by the Account Owner on the appropriate form. Under the Program, there are three different types of investment options: a Fixed Portfolio Option, a Years to Enrollment Portfolio Option, and an Individual Fund Portfolio Option. The percentage asset allocation by investment sector and the Underlying Funds for the Fixed Portfolios will vary based upon the investment style for the Fixed Portfolio. The percentage asset allocation by investment sector and the Underlying Funds for the Years to Enrollment Portfolios will vary based upon the investment style and the number of Years to Enrollment for the Years to Enrollment Portfolio. If an Account is assigned to a Fixed Portfolio or a Years to Enrollment Portfolio, Contributions to that Account, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be used by the Manager to purchase shares of the Underlying Funds in accordance with the asset allocation for the Portfolio to which the Account has been assigned. The entire amount of a Contribution to an Account that is assigned to an Individual Fund Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be used by the Manager to purchase shares of the Underlying Fund for that Individual Portfolio.
- (c) If the Account Owner selects a Years to Enrollment Portfolio on the appropriate form, the Account Owner must also identify the number of Years to Enrollment for the Designated Beneficiary of the Account. An Account Owner may select more than one Years to Enrollment period for Accounts held on behalf of the same Designated Beneficiary. A governmental entity or an organization described under Section 501(c)(3) of the Code that establishes an Account as part of a scholarship program may identify the number of Years to Enrollment for a Designated Beneficiary without identifying the Designated Beneficiary of the Account on the appropriate form. The Manager will rely on the information provided by an Account Owner on the appropriate form with respect to the Designated Beneficiary's number of Years to Enrollment in assigning the Account to a Years to Enrollment Portfolio.
- (d) An Account generally will not remain assigned to the Years to Enrollment Portfolio to which it is initially assigned. As the number of Years to Enrollment for a Designated Beneficiary decreases, the Account will be automatically reassigned to a different Years to Enrollment Portfolio as set forth in the chart in the Program Disclosure Statement under the heading "The Program Trust Fund and the Portfolios—Years to Enrollment Portfolios." When an Account is reassigned to a different Years to Enrollment Portfolio because the number of Years to Enrollment for the Designated Beneficiary is lower than the lowest number of Years to Enrollment for the applicable Years to Enrollment Portfolio, Units of the Years to Enrollment Portfolio to which the Account had been assigned will be converted into Units of the Years to Enrollment Portfolio to which the Account is reassigned. The process of reassigning an Account to a different Years to Enrollment Portfolio will continue until the number of Years to Enrollment for a Designated Beneficiary is one year or less or the entire balance of funds credited to the Account are distributed from the Account, whichever occurs first.
- (e) The Manager will review the asset allocation by investment sector and Underlying Funds for each Fixed Portfolio and each Years to Enrollment Portfolio and may, from time to time, recommend changes in such asset allocations and Underlying Funds to the Board. **The Manager will review the Underlying Fund that is used for each Individual Fund Portfolio and may, from time to time, recommend a change in such Underlying Fund to the Board.** The Board may change the asset allocation for any Fixed Portfolio or Years to Enrollment Portfolio, add, eliminate or change the Underlying Fund(s) for a Portfolio, create additional Portfolios, or eliminate Portfolios, all without regard to prior selections made by the Account Owner. The Board is not obligated to circulate any notice or to update the Program Disclosure Statement or its Supplement in connection with any such change, but may do so if such change is determined by the Board to be material. Your Account will be separately maintained by the Manager, but Contributions and earnings credited to your Account will be commingled for investment purposes with Contributions and earnings credited to other Accounts established for other Account Owners.

2. Establishing an Account

- (a) To establish an Account on behalf of a Designated Beneficiary under the Program, a prospective Account Owner must:
 - (i) submit a completed Enrollment Form to the Manager, and (ii)(1) submit, or cause to be submitted, an initial Contribution to the Account being established that satisfies the applicable minimum initial Contribution requirement or
 - (ii)(2) authorize an Automatic Investment Plan, Automatic Payroll Deduction Plan (for eligible Account Owners as set

forth in the Program Disclosure Statement), or Systematic Exchange Plan for the Account being established in an amount that satisfies applicable requirements. An Account Owner must make certain investment selections on the Enrollment Form as set forth in the Program Disclosure Statement under the heading “The Program Trust Fund and the Portfolios.” The Account Owner must also select a Unit Class on the Enrollment Form for each Account being established as described in the Program Disclosure Statement under the heading “Establishing an Account — Unit Classes.” An Account Owner may establish multiple Accounts on behalf of a single Designated Beneficiary by using a single Enrollment Form. An Account Owner may cause as many separate Accounts to be established for the same Designated Beneficiary as there are Portfolios that, in the discretion of the Account Owner, are appropriate for that Designated Beneficiary.

- (b) It is your responsibility to make sure that your Account has been assigned or reassigned to the correct Portfolio, that each Contribution has been credited to the correct Account, and that the correct Unit Class has been assigned to your Account. After you receive confirmation from the Manager that your Account has been assigned or reassigned to a Portfolio, that a Contribution has been credited to an Account, or that a Unit Class has been assigned to your Account, you will have 30 days to notify the Manager if you believe that your Account has been assigned or reassigned to the wrong Portfolio, that a Contribution has been credited to the wrong Account, or that the wrong Unit Class has been assigned to such Account. It is your responsibility to review the Unit Classes that are described in the Program Disclosure Statement and the current Supplement to the Program Disclosure Statement and to determine whether the Unit Class that you have selected and your participation in the Program are appropriate for you in light of your investment needs, tax status, time horizon, and risk tolerance. It also is your responsibility to review the asset allocations and Underlying Funds for the Fixed Portfolios and the Years to Enrollment Portfolios and the Underlying Funds for the Individual Fund Portfolios as described in the Program Disclosure Statement and the current Supplement to the Program Disclosure Statement.

3. Unit Classes; Fees and Expenses

- (a) The Program offers four Unit Classes. They are Unit Class A, Unit Class B, Unit Class C, and Unit Class S. The fees and expenses associated with each Unit Class differ. Also, not everyone is eligible to use every Unit Class. You may establish separate Accounts under the Unit Classes for which such Accounts are eligible.
- (b) If neither the Account Owner nor the Designated Beneficiary of an Account is an Alabama resident at the time the Account is established, or if the Account Owner establishes an Account through a Financial Advisor, the Account Owner must select either Unit Class A, Unit Class B or Unit Class C on the Enrollment Form for each Account being established. If you want to establish an Account under Unit Class A, Unit Class B, or Unit Class C, you must use the Enrollment Form for Account Owners working with a Financial Advisor. An Account will not be established under Unit Class B if the proposed Designated Beneficiary is 15 years old or older at the time of the proposed establishment of the Account. If the Account Owner selects Unit Class B on the Enrollment Form and the Account is not eligible to be assigned to Unit Class B or if the Account Owner does not select a Unit Class on the Enrollment Form, the Account will be assigned to Unit Class A. In addition, under Unit Class B, the Designated Beneficiary for an Account may not be changed within six years after the most recent Contribution to such Account if the proposed Designated Beneficiary is 15 years old or older at the time of such proposed change.
- (c) If you want to establish an Account under Unit Class S and are eligible to do so, you must use the Enrollment Form for Account Owners who are not working with a Financial Advisor. Accounts may be established under Unit Class S only if: (i) the Account is opened directly through Van Kampen Funds (and without a Financial Advisor), and (ii)(1) the Account Owner for such Account is an Alabama resident at the time the Account is established, or (2) the Designated Beneficiary for such Account is an Alabama resident at the time the Account is established.
- (d) Approximately eight years after the initial Contribution to an Account assigned to Unit Class B, the Manager will establish a separate Account under Unit Class A. Class B Units will then be transferred to that Account eight years after the end of the calendar month in which such Class B Units were purchased. The Account established by the Manager under Unit Class A will be governed by this Account Agreement, as amended and supplemented as of the establishment of that Account.
- (e) **The Unit Class for the Units held in an Account will not change except as described in Section 3(d) of this Account Agreement. Notwithstanding any other provision in this Account Agreement, an Account Owner may not select a**

new Unit Class in connection with: (i) any Investment Selection Change for all or a portion of the Account Balance in an Account, or (ii) any change of Designated Beneficiary for all or a portion of the Account Balance in an Account.

- (f) The fees and expenses associated with the Underlying Funds, each Unit Class, your Account, and participation in the Program are described in the Program Disclosure Statement under the headings “Fees and Expenses Paid by the Underlying Funds,” “Program – Level Fees and Expenses: Establishing Accounts Through Financial Advisors,” and “Program – Level Fees and Expenses: Direct Participation by Alabama Residents.” Such sections from the Program Disclosure Statement are incorporated into this Section 3 as if set forth in full herein. To receive a sales charge reduction or waiver, you or your Financial Advisor must let Van Kampen Funds know at the time you make a Contribution or take a Distribution, as applicable, that you qualify for such a reduction or waiver. You will receive the sales charge reduction or waiver, as applicable, upon receipt of such notification and confirmation of your eligibility. The amount of these fees and expenses may be changed at any time and any number of times without prior notice. New fees and expenses, including a termination fee for Accounts being closed, may be charged in the future.

4. Designated Beneficiary

- (a) Except as described in Section 4(b) of this Account Agreement, you must designate one person on the appropriate form to be the Designated Beneficiary of an Account. If the Account Owner is a natural person, the Account Owner may name himself or herself as the Designated Beneficiary. If the source of any Contribution to the Account is a UGMA/UTMA account, the Account Owner must designate the minor for whom the UGMA/UTMA account was established as the Designated Beneficiary. The person named as Designated Beneficiary of the Account must be a citizen or a resident of the United States.
- (b) In the case of an Account that is established as part of a scholarship program operated by a state or local government or an organization described in Section 501(c)(3) of the Code, the Designated Beneficiary of the Account is not required to be identified on the appropriate form. Such government or organization must identify the Designated Beneficiary of the Account prior to any Distribution to or on behalf of such Designated Beneficiary. The person to be named as Designated Beneficiary of the Account must be a citizen or a resident of the United States at the time of such designation.
- (c) Under no circumstances may an Account Owner designate a new Designated Beneficiary for an Account or any portion thereof in place of the current Designated Beneficiary of the Account if the source of any Contribution to the Account was a UGMA/UTMA account and the Account is still held under a UGMA/UTMA custodianship. If the Account is no longer held under a UGMA/UTMA custodianship, a change in the Designated Beneficiary for all or a portion of the Account Balance in the Account will be permitted. In addition, under Unit Class B, the Designated Beneficiary for an Account may not be changed within six years after the most recent Contribution to such Account if the proposed Designated Beneficiary is 15 years old or older at the time of such proposed change.

5. Contributions

- (a) All Contributions to your Account(s) shall be made only in cash. For these purposes, “Contributions in cash” means Contributions in U.S. dollars made by check, money order, journal entry, or electronic transfer of funds, in accordance with the procedures set forth in the Program Disclosure Statement.
- (b) In connection with the establishment of an Account, certain minimum Contribution rules generally apply. The initial Contribution to an Account by check must equal or exceed: (i) \$1,000 for each Account for which neither the Account Owner nor the Designated Beneficiary is an Alabama resident at the time such Account is established, or (ii) \$250 for each Account for which either the Account Owner or the Designated Beneficiary is an Alabama resident at the time such Account is established. Subsequent Contributions to an Account by check must equal or exceed \$25 for each existing Account. All checks should be made payable to “Higher Education 529 Fund.”
- (c) Contributions to an Account also may be made through: (i) an Automatic Investment Plan, (ii) an Automatic Payroll Deduction Plan (for eligible Account Owners as set forth in the Program Disclosure Statement), or (iii) such other methods as may be permitted by the Manager from time to time. For Contributions to be made through an Automatic Investment Plan, the Account Owner must authorize the use of such option on the Enrollment Form or the Account Services Form. For eligible Account Owners to make a Contribution to an Account through an Automatic Payroll

Deduction Plan, such Account Owner must authorize the use of that option on the Enrollment Form. If an Account Owner authorizes an Automatic Investment Plan or an Automatic Payroll Deduction Plan for an Account, Contributions to that Account under the Plan must equal or exceed the applicable minimum Contribution limits described in the Program Disclosure Statement under the heading “Contributions — Contributions by Automatic Investment Plan, Automatic Payroll Deduction Plan or Other Similar Method.” An Account Owner may change the bank account that is used in connection with an Automatic Investment Plan by submitting a completed Account Services Form to the Manager.

- (d) Contributions to an Account that is assigned to a Fixed Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be credited to the Account and used by the Manager to purchase shares of the Underlying Funds in accordance with the asset allocation for the Fixed Portfolio to which the Account is assigned as described in the Program Disclosure Statement under the headings “The Program Trust Fund and the Portfolios — Fixed Portfolios” and “Maintenance of Accounts.” Contributions to an Account that is assigned to a Years to Enrollment Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be credited to the Account and used by the Manager to purchase shares of the Underlying Funds in accordance with the asset allocation for the Years to Enrollment Portfolio to which the Account is assigned as described in the Program Disclosure Statement under the headings “The Program Trust Fund and the Portfolios — Years to Enrollment Portfolios” and “Maintenance of Accounts.” The entire amount of a Contribution to an Account that is assigned to an Individual Fund Portfolio, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be used by the Manager to purchase shares of the Underlying Fund for that Individual Fund Portfolio as described in the Program Disclosure Statement under the headings “The Program Trust Fund and the Portfolios — Individuals Fund Portfolios” and “Maintenance of Accounts.”
- (e) Contributions to an Account will be credited to the Account as described in the Program Disclosure Statement under the heading “Contributions — Crediting of Contributions and Unit Value.”
- (f) Any person or entity using the Transfer/Rollover Form in connection with a Contribution to an Account should indicate on that form whether the Contribution is a Tax-Free Rollover from a Coverdell ESA, a qualified U.S. Savings Bond, or a Qualified Tuition Program, including the Program. If the Contribution is a Tax-Free Rollover, the person or entity making the Contribution must provide the Manager with appropriate documentation so that the appropriate amount of earnings may be reflected in the Account to which the Rollover Contribution is made. Until appropriate documentation is received, the entire amount of such Contribution will be recorded as earnings in the Account. Appropriate documentation for this purpose is described in the Program Disclosure Statement under the heading “Contributions — Tax-Free Rollovers to the Program.”
- (g) No Contribution to an Account for a Designated Beneficiary will be permitted if the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary equals or exceeds the Maximum Account Balance Limitation. If the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary later falls below the Maximum Account Balance Limitation, additional Contributions to any Account for the Designated Beneficiary will be permitted. If the amount of a Contribution, when added to the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary would exceed the Maximum Account Balance Limitation, the amount of the Contribution in excess of the Maximum Account Balance Limitation will not be accepted as a Contribution and will be returned to the Account Owner. The Maximum Account Balance Limitation will be computed, and PACT Program contracts will be valued, for purposes of the Maximum Account Balance Limitation as described in the Program Disclosure Statement under the heading “Contributions — Maximum Account Balance Limitation.” The Board will disclose the Maximum Account Balance Limitation for a year as soon as practicable in the current Supplement to the Program Disclosure Statement and other Program materials. Notwithstanding the Maximum Account Balance Limitation, you are responsible for projecting the Designated Beneficiary’s Qualified Higher Education Expenses and, to avoid income taxes and additional tax penalties on Distributions, you may need to limit Contributions to Accounts under the Program so that the total value of all Accounts under the Program and PACT Program contracts held on behalf of that Designated Beneficiary is less than the Maximum Account Balance Limitation. To the extent permitted by Section 529 of the Code, an Account that is established without a named Designated Beneficiary by a state or local government (or agency or instrumentality thereof) or an organization described in Section 501(c)(3) of the Code as part of a scholarship program operated by such government or organization will not be subject to the Maximum Account Balance Limitation.

- (h) The Account Owner (and not the Designated Beneficiary or any person or entity that makes a Contribution to an Account) is the sole owner of all Contributions to an Account and any earnings thereon. Different rules may apply if the source of any Contribution to an Account is a custodial account established under any state's UGMA/UTMA. In addition, you understand that there are special federal and state tax rules applicable to Contributions to your Account and earnings thereon. See "Establishing an Account," "Contributions," "Maintenance of Accounts," "Distributions and Distribution Procedures," and "Tax Matters" in the Program Disclosure Statement.

6. Maintenance of Accounts

- (a) If an Account Owner has established an Account on behalf of a Designated Beneficiary, the Account Owner may make Investment Selection Changes for the Account once per calendar year without changing the Designated Beneficiary for the Account. For purposes of applying the rule allowing Investment Selection Changes once per calendar year without a change of Designated Beneficiary, all Accounts held by an Account Owner on behalf of the same Designated Beneficiary will be deemed to be a single Account. If an Investment Selection Change has been made for all or a portion of the Account Balance in any such Accounts, then no further Investment Selection Changes may be made for that Account or any other Account held by the same Account Owner on behalf of the same Designated Beneficiary until the next calendar year (unless the Designated Beneficiary is changed).
- (b) To make Investment Selection Changes for two or more Accounts held by the same Account Owner on behalf of the same Designated Beneficiary without changing the Designated Beneficiary for those Accounts, the Account Owner must list all Investment Selection Changes for such Accounts on a single Change of Investment Selections Form that is submitted to the Manager. In the event the Account Owner establishes a new Account in connection with such an Investment Selection Change, the new Account will be assigned to the Portfolio selected by the Account Owner on the appropriate form in accordance with the provisions described under the heading "The Trust Fund and the Portfolios."
- (c) The Manager will take appropriate action with respect to each Fixed Portfolio and each Years to Enrollment Portfolio to cause the actual asset allocation for the applicable Portfolio to match the Board-approved asset allocation for that Portfolio as described in the Program Disclosure Statement under the heading "Maintenance of Accounts — Rebalancing of Fixed Portfolios and Years to Enrollment Portfolios."
- (d) Except as described in Section 4(c) of this Account Agreement, an Account Owner may change the Designated Beneficiary for all or a portion of the Account Balance in an Account at any time by submitting a completed Change of Designated Beneficiary Form to the Manager as described in the Program Disclosure Statement under the heading "Maintenance of Accounts — Changing the Designated Beneficiary for an Account." The Account Owner may: (i) keep the investment selections for the Account held on behalf of the new Designated Beneficiary the same as the investment selections for the Account held on behalf of the former Designated Beneficiary, or (ii) make new investment selections for the Account held on behalf of the new Designated Beneficiary. In the event the Account Owner establishes a new Account in connection with a change of Designated Beneficiary, the Account for the new Designated Beneficiary will be assigned to the Portfolio selected by the Account Owner on the Change of Designated Beneficiary Form in accordance with the provisions described in the Program Disclosure Statement under the heading "The Trust Fund and the Portfolios." If the Account Owner transfers all or a portion of the Account Balance in the Account held on behalf of the former Designated Beneficiary to a preexisting Account held on behalf of the new Designated Beneficiary, the Account Owner must identify such preexisting Account on the Change of Designated Beneficiary Form. **If the Designated Beneficiary for an Account or any portion thereof is changed, following such change of Designated Beneficiary, the once per calendar year Investment Selection Change restriction will be applied by reference to all Accounts held by you on behalf of the new Designated Beneficiary.**
- (e) If an individual who is a Member of the Family of the current Designated Beneficiary is substituted as the new Designated Beneficiary for the Account, that substitution of Designated Beneficiary will not be treated as a Distribution from the Account for federal tax reporting purposes. If, however, an individual who is not a Member of the Family of the current Designated Beneficiary is substituted as the new Designated Beneficiary for the Account, that substitution of Designated Beneficiary will be treated for federal tax reporting purposes as a Distribution from the Account and a Contribution to an Account on behalf of the new Designated Beneficiary. Such Distribution may be subject to income taxes and additional tax penalties.

- (f) Contributions and Systematic Exchanges made to new Accounts or preexisting Accounts in connection with an Investment Selection Change and/or change of Designated Beneficiary must comply with all applicable requirements.
- (g) Systematic Exchange Plans and Systematic Exchanges are subject to the terms, conditions, and limitations set forth in the Program Disclosure Statement under the heading “Maintenance of Accounts — Systematic Exchange Plan.”
- (h) Except as described in the Program Disclosure Statement under the headings “The Program Trust Fund and the Portfolios” and “Maintenance of Accounts,” after an Account has been established, neither the Account Owner nor the Designated Beneficiary may directly or indirectly control the investment of any Contribution credited to an Account or the earnings thereon, if any.
- (i) The Manager may consolidate separate Accounts held by an Account Owner on behalf of the same Designated Beneficiary into one Account if: (i) such Accounts are assigned to the same Portfolio, (ii) such Accounts are assigned to the same Unit Class, and (iii) the then-current number of Years to Enrollment for the Designated Beneficiary of such Accounts is the same (if such Accounts are assigned to Years to Enrollment Portfolios).

7. Distributions

- (a) Distribution Requests shall be made by the Account Owner and Distributions shall be processed by the Manager in accordance with the procedures and subject to the limitations described in the Program Disclosure Statement under the heading “Distributions and Distribution Procedures.”
- (b) If the Manager determines that a Distribution Request has been received in good order on a Business Day prior to the close of business on the NYSE, the Manager will calculate the value of such Distribution from the Account based upon the applicable Unit Value that is calculated for that Business Day. If the Manager determines that a Distribution Request has been received in good order on a day other than a Business Day or after the close of business on the NYSE, the Manager will calculate the value of such Distribution from the Account based upon the applicable Unit Value that is calculated for the next Business Day. On the Business Day immediately following the calculation of the value of a Distribution from the Account, the Manager will take appropriate action with respect to the applicable Portfolio to cause funds to be available for the Distribution.
- (c) The federal and Alabama income tax consequences that are associated with a Distribution from an Account are described in the Program Disclosure Statement under the headings “Distributions and Distribution Procedures” and “Tax Matters” and such sections are incorporated into this Section 7 as if set forth in full herein.
- (d) If an Account Owner has established more than one Account on behalf of the same Designated Beneficiary, an Account Owner may specify the Accounts from which a Distribution will be taken. Account Owners should review the deferred sales charges, if any, that will be imposed in connection with a Distribution from each Account held on behalf of that Designated Beneficiary when selecting the Account from which the Distribution will be taken. If an Account Owner holds more than one Account on behalf of a Designated Beneficiary and the Account Owner does not specify the Account from which a Distribution will be taken, the Distribution will be taken from the oldest Account (i.e., the Account with the earliest date of establishment), until all amounts in that Account have been liquidated, and then from each succeeding Account in order of age, until the amount of the Distribution is reached. If multiple Accounts are established on the same day, the Accounts established on that day will be ordered for these purposes based on the account number assigned to them by the Manager, with the lowest account number being treated as the oldest Account.
- (e) If an Account Agreement has not been terminated after a period of 60 years from its effective date, the Board or its agent after making reasonable effort to contact the Account Owner and the Designated Beneficiary, shall close the Account and presume the Account Balance, if any, to be abandoned property. (The Account may be deemed to be abandoned property earlier than the time specified in the preceding sentence if required by applicable law.) The Account Owner may request that the Account remain in effect beyond the 60 year period by filing a written request with the Board.

8. Account Owner Representations, Warranties, and Covenants

You hereby represent, warrant, and covenant to the Board as follows:

Enrollment Form; Establishing an Account; Participation in the Program

- (a) If you are a natural person, you are at least 19 years of age and a citizen or a resident of the United States and the Designated Beneficiary selected for the Account is a natural person who is a citizen or a resident of the United States.
- (b) You understand that this Account Agreement between you and the Board, as amended and supplemented from time to time, will govern: (i) the Account or Accounts that you establish when you submit a completed Enrollment Form to the Manager, (ii) the Account or Accounts that you establish when you submit a completed Change of Investment Selections Form to the Manager, and (iii) the Account or Accounts that you establish when you submit a completed Change of Designated Beneficiary Form to the Manager.
- (c) You are opening the Account and will make Contributions to the Account exclusively for the purpose of meeting the Qualified Higher Education Expenses of the Designated Beneficiary of the Account at an Eligible Educational Institution.
- (d) You have received and read the Program Disclosure Statement and the current Supplement to the Program Disclosure Statement and have carefully reviewed the information contained therein, including information provided by or with respect to the Program, the Board, the Manager, Van Kampen Funds, the Fixed Portfolios, the Years to Enrollment Portfolios, the Individual Fund Portfolios, each Underlying Fund, and the applicable fees and expenses associated with the Underlying Funds and each Unit Class, and you agree that the terms of the Program Disclosure Statement and the current Supplement to the Program Disclosure Statement are incorporated into this Account Agreement as if they were set forth in full herein.
- (e) You agree that if either the Program Disclosure Statement or the current Supplement to the Program Disclosure Statement is in any way amended, modified, or supplemented after you execute this Account Agreement, the terms of the Program Disclosure Statement and the current Supplement to the Program Disclosure Statement, each as amended, modified or supplemented, will be automatically incorporated into this Account Agreement as if they were set forth in full herein.
- (f) You have been given an opportunity, within a reasonable time prior to your execution of the Enrollment Form (and this Account Agreement), to ask questions of representatives of the Manager and/or your Financial Advisor (if applicable) and to receive satisfactory answers concerning: (i) your participation in the Program; (ii) the terms and conditions governing the Program; (iii) the particular investment options that are available for your Account; (iv) each Unit Class available under the Program and the eligibility requirements and applicable fees and expenses associated therewith; (v) the Program Disclosure Statement, the current Supplement to the Program Disclosure Statement, the Rules, this Account Agreement, and the Enrollment Form; and (vi) your ability to obtain such additional information necessary to verify the accuracy of any information furnished.
- (g) You have not relied on any representations or other information, whether oral or written, and whether made by any agent, affiliate, or representative of the State, the Board, the Treasurer, the Manager, Van Kampen Funds, or any other person, including your Financial Advisor and the Independent Distributor, other than as set forth in the Program Disclosure Statement, the current Supplement to the Program Disclosure Statement, and this Account Agreement.
- (h) The Enrollment Form and any other documentation that you have furnished or will subsequently furnish in connection with the opening or maintenance of, or any Distributions from, your Account(s), is or will be accurate, truthful, and complete, including the age of the Designated Beneficiary and/or the Years to Enrollment identified by you for the Designated Beneficiary of an Account. You understand that any false statements made by you, in connection with opening an Account or otherwise, may result in the Board and/or the Manager taking any action that is permitted by the Rules, including, without limitation, closing your Account and distributing the assets contained therein or requiring that you indemnify the State, the Board, the Treasurer, the Manager, Van Kampen Funds, Van Kampen Investment Advisory, Van Kampen Funds, Van Kampen Investor Services, BFDS, State Street, or any affiliate of the foregoing, as discussed under “Limitation of Liability; Indemnification” below. You understand that the closing of your Account or any distribution of assets contained therein as described above may have adverse tax and other consequences to you.

- (i) You understand that the Board or the Manager may ask you to provide additional documentation that may be required by the Act, the Rules or other applicable law in connection with your participation in the Program and you agree to promptly comply with any such requests for additional documentation.
- (j) You understand that if you select Unit Class B on the Enrollment Form and the Account is not eligible to be assigned to Unit Class B or that if you are required to select a Unit Class on the Enrollment Form and fail to do so, then your Account will be assigned to Unit Class A. You consent to the fees and expenses to be assessed for the Unit Class that has been assigned for your Account, as they may be changed from time to time. In the event the amount of Contributions made by you does not equal or exceed the total amount of the investment goal under a Letter of Intent, you authorize the Manager to liquidate Class A Units in an amount equal to the difference between the amount of the initial sales charges actually paid by you during the specified period and the amount of the initial sales charges that you should have paid during the specified period based upon the Class A Units that you actually purchased or to bill you for such amounts.

No Guarantee; Investment Risks; Investment Selections

- (k) You understand that none of the State, the Board, the Treasurer, the Manager, Van Kampen Funds, or any other person makes any guarantee that you will not suffer a loss of any amount contributed to any Account, that you will receive a particular investment return on any funds contributed to any Account or that there will be sufficient funds in the Account to cover the actual higher education expenses of a Designated Beneficiary. You also understand that the use of a Systematic Exchange Plan does not assure a profit or protect against loss in a declining market. Since this strategy may involve continual investment of contributed cash regardless of fluctuations in Underlying Fund share values/Unit values, you should carefully consider your financial ability to invest during periods of low price levels.
- (l) You further understand that the investment of a Contribution made to your Account, less any sales charges, fees, or expenses, and the earnings thereon, if any, by the Manager in shares of an Underlying Fund or Underlying Funds on behalf of the Program Trust Fund will be governed by the provisions of the Rules, the Program Disclosure Statement, and this Account Agreement, each as amended and supplemented from time to time, and that all Contributions to your Account, less any sales charges, fees, or expenses, and the earnings thereon, if any, will be held exclusively for your benefit and the benefit of the Designated Beneficiary of the Account.
- (m) **YOU UNDERSTAND THAT THE ACCOUNT BALANCE(S) OF YOUR ACCOUNT(S) MAY INCREASE OR DECREASE BASED ON THE INVESTMENT PERFORMANCE OF THE APPLICABLE UNDERLYING FUND OR UNDERLYING FUNDS IN WHICH CONTRIBUTIONS TO YOUR ACCOUNT(S), LESS ANY SALES CHARGES, FEES, OR EXPENSES, AND THE EARNINGS THEREON, IF ANY, ARE INVESTED, AND THAT THE ACCOUNT BALANCE(S) OF ANY ACCOUNT(S) TO WHICH YOU MAKE CONTRIBUTIONS MAY BE MORE OR LESS THAN THE AMOUNTS YOU CONTRIBUTED TO SUCH ACCOUNT(S).**
- (n) You understand that the Board will determine the asset allocation by investment sector and Underlying Funds for each Fixed Portfolio and each Years to Enrollment Portfolio and the Underlying Fund for each Individual Fund Portfolio; that the assets in the Program Trust Fund that are attributable to your Account will be invested in the applicable Underlying Funds in accordance with the asset allocation for the Fixed Portfolio or Years to Enrollment Portfolio to which your Account is assigned or in the applicable Underlying Fund for the Individual Fund Portfolio to which your Account is assigned; that the Board has authority to change the asset allocation for a Fixed Portfolio or a Years to Enrollment Portfolio, add, eliminate or change the Underlying Fund(s) for a Portfolio, create additional Portfolios, or eliminate Portfolios, all without regard to prior selections made by the Account Owner; that the Board is not obligated to circulate any notice or to update the Program Disclosure Statement or the current Supplement to the Program Disclosure Statement in connection with any such change, but may do so if such change is determined by the Board to be material; and that each Unit Class may not be suitable, each Portfolio may not be suitable, and that the Program may not be suitable, for certain investors as a means of investing to provide for higher education costs.
- (o) You understand that the Program Trust Fund will be the record owner of the shares of beneficial interest of the Underlying Fund or Underlying Funds that are purchased with Contributions to your Account, less any sales charges, fees or expenses, and the earnings thereon, if any. You do not have a direct beneficial ownership interest in any Underlying Fund. Therefore, you do not have the rights of an owner or shareholder of any Underlying Fund.

Taxes

- (p) You understand that the Program is established and maintained with the intent that it meet the requirements for favorable federal tax treatment under Section 529 of the Code and agree that the Board may amend this Account Agreement at any time if the Board determines that such an amendment is necessary to maintain the Program's qualification under Section 529 of the Code or to satisfy other applicable federal or state laws. You also understand that if the Program fails to qualify for favorable tax treatment under Section 529 of the Code, such failure may have adverse tax and other consequences to you.
- (q) You understand that federal and state laws, including tax laws, are subject to change, sometimes with retroactive effect, and agree that none of the State, the Board, the Treasurer, the Manager, Van Kampen Funds, or any affiliate of the foregoing, or any other person makes any representation that any of the federal or state laws governing the Program will not be amended, modified, supplemented or repealed. You also understand that the state tax treatment of the Program may not be the same as the federal tax treatment of the Program.
- (r) You understand that unless Congress enacts additional legislation, the changes under the 2001 Tax Act, as described in the Program Disclosure Statement, that took effect for taxable years beginning after December 31, 2001, will not apply for taxable years beginning after December 31, 2010, and that the law in effect prior to January 1, 2002, as described in the Program Disclosure Statement under the heading "Tax Matters — Federal Tax Law: After December 31, 2010," will again become the applicable law for taxable years beginning after December 31, 2010. **You understand that such a change in law may have adverse tax and other consequences to you. You should consider the potential effect such a change in law could have on your investments under the Program before establishing an Account.**
- (s) You understand that with respect to residents of Alabama, Distributions from an Account and other actions taken under the Program may have the Alabama income tax consequences as described in the Program Disclosure Statement under the heading: "Tax Matters: State of Alabama Taxes." Such Alabama tax laws are subject to change, sometimes with retroactive effect.
- (t) You understand that: (i) once a Contribution is made to an Account, your ability to withdraw funds from that Account without incurring income taxes and additional tax penalties will be limited; and (ii) Distributions not used to fund the Qualified Higher Education Expenses of the Designated Beneficiary may be subject to income taxes and additional tax penalties. **The Program Disclosure Statement, this Account Agreement, the Enrollment Form, and other forms used in connection with the Program do not address taxes imposed by a state other than Alabama or the applicability of state or local taxes other than Alabama income tax to the Program, the Program Trust Fund, your participation in the Program, your investment in the Program Trust Fund, or your Account.**
- (u) You understand that any Contributions credited to your Account will be deemed by the Board and the Manager to have been received from you and that Contributions made by third parties may result in adverse tax or other consequences to you or such third parties.
- (v) You understand that there may be adverse state or local tax consequences in connection with a Tax-Free Rollover.
- (w) If you are not an Alabama resident, you understand that if your state offers a Qualified Tuition Program, it may offer tax advantages that may not be available to you under the Higher Education 529 Fund and that you are responsible for determining which Qualified Tuition Program is best suited to your investment needs, investment objectives, time horizon, and tax status.
- (x) The state or locality in which you or the Designated Beneficiary reside may impose a tax on any earnings accumulated in your Account(s) without deferring such tax until the time that a Distribution is made from the Account or may impose a tax on part or all of any such Distribution, whether or not the Distribution is used to fund the Qualified Higher Education Expenses of the Designated Beneficiary of the Account. You are responsible for filing your federal and state tax returns and any other reports required to be filed by law. You are also responsible for properly determining the amount of taxable income, if any, relating to your Account and for paying any taxes imposed upon you with respect to your Account. However, to the extent that such taxes relating to your Account are imposed upon the Program Trust Fund, they can be paid directly from your Account. Such payments may have adverse tax or other consequences to you.

- (y) You understand that the Board may terminate your Account, revoke fee waivers or fee reductions that you may have benefited from, or cause a Distribution to be taken from your Account to satisfy applicable laws or to maintain the status of the Program as a Qualified Tuition Program under Section 529 of the Code and that such actions taken by the Board may have adverse tax and other consequences to you.
- (z) You should consult with a qualified tax advisor regarding the application of all tax laws (including those summarized in the Program Disclosure Statement) to your particular situation.

Miscellaneous

- (aa) **You understand that you may make Investment Selection Changes for all or a portion of the Account Balance in an Account only: (i) in connection with a change of Designated Beneficiary for the Account, and (ii) once per calendar year without changing the Designated Beneficiary for the Account. If you hold more than one Account on behalf of the same Designated Beneficiary, all such Accounts will be deemed to be a single Account for purposes of applying the rule limiting Investment Selection Changes as described in clause (ii) above. As a result, you understand that you must make all Investment Selection Changes for such Accounts simultaneously, and that once any Investment Selection Changes have been made for any such Account(s), no further Investment Selection Changes may be made for that Account or any other Account held by that Account Owner on behalf of that Designated Beneficiary until the next calendar year (unless the Designated Beneficiary is changed). You understand that if the Designated Beneficiary for an Account or any portion thereof is changed, following such change of Designated Beneficiary, the once per calendar year Investment Selection Change restriction will be applied by reference to all Accounts held by you on behalf of the new Designated Beneficiary.**
- (bb) You understand that your participation in the Program does not guarantee that any Designated Beneficiary: (i) will be accepted as a student by any Eligible Educational Institution; (ii) if accepted, will be permitted to continue as a student; (iii) will be treated as a state resident of any state for tuition purposes; (iv) will graduate from any Eligible Educational Institution; or (v) will achieve any particular treatment under applicable state or federal financial aid programs. Your participation in the Program also does not guarantee that Alabama resident status will be conferred upon any Designated Beneficiary. You further acknowledge and agree that none of the State, the Board, the Treasurer, the Manager, Van Kampen Funds, or any affiliate of the foregoing, or any other person, makes any such representation or guarantee.
- (cc) No Account for which you are the Account Owner (or Designated Beneficiary) may be used as collateral for any loan. Any attempt to use any Account as collateral for a loan shall be void. The Program Trust Fund will not lend any Program assets to you or any Designated Beneficiary. You may not assign or transfer any interest in any Account, except as otherwise allowed in the Rules and the Act and described in the Program Disclosure Statement, or this Account Agreement. Any attempted assignment or transfer of such an interest shall be void.
- (dd) You understand that you may designate a successor Account Owner on the Enrollment Form, on another appropriate form, or in accordance with the applicable procedures described in the Program Disclosure Statement. The successor Account Owner shall become the new Account Owner and shall assume all of the rights and responsibilities of the current Account Owner with respect to an Account and succeed to all of the current Account Owner's rights, title, and interests in an Account upon the death, resignation, or refusal to act of the current Account Owner. This Account Agreement, as amended and supplemented from time to time, shall be binding upon all successor Account Owners of an Account. In order to succeed to the Account Owner's rights, title, and interest in an Account, the successor Account Owner shall execute such forms as are required by the Program Disclosure Statement. If the Designated Beneficiary is at least 19 years old, the Designated Beneficiary may be named as the successor Account Owner. Notwithstanding the foregoing, if the source of any Contribution made to the Account was a UGMA/UTMA account, the Account Owner shall be removed or replaced, and the successor Account Owner may become the Account Owner, only in accordance with the applicable UGMA/UTMA laws. **In the event there is a dispute relating to who is authorized to act with respect to an Account, you understand that the Manager may, in its sole discretion, refuse to accept any Contribution to an Account or to make any Distribution from an Account until such dispute is resolved to its satisfaction.**
- (ee) You further understand that if an Account Agreement has not been terminated after a period of 60 years from its effective date, the Board or its agent, after making reasonable effort to contact the Account Owner and the Designated Beneficiary, shall close the Account and presume the Account Balance, if any, to be abandoned property. (The Account may be

deemed to be abandoned property earlier than the time specified in the preceding sentence if required by applicable law.) You also understand that you may request that the Account remain in effect beyond the 60 year period by filing a written request with the Board.

Non-Natural Persons as Account Owners

- (ff) For corporations, government entities, estates, or trusts: (i) by signing the Enrollment Form, you understand that you are certifying and representing that you are duly authorized by appropriate resolutions to act on behalf of and to bind the corporation, government entity, estate, or trust on whose behalf you are signing; (ii) you certify that you have been duly elected or appointed, are currently legally holding the office set forth next to your name on the Enrollment Form, and have the authority to make this certification; and (iii) you understand that any Enrollment Form submitted to the Manager may be deemed to be incomplete and returned to you if it is not accompanied by a certificate of good standing, declaration page, or other similar document.
- (gg) In the event a state or local government or an organization described in Section 501(c)(3) of the Code establishes an Account as part of a scholarship program operated by such government entity or organization and does not identify a Designated Beneficiary on the appropriate form, you represent and warrant that: (i) the natural person to be named the Designated Beneficiary of the Account will be a citizen or resident of the United States, and (ii) you will hold harmless the State, the Board, the Program Trust Fund and the Manager with respect to the selection of a Years to Enrollment Portfolio on the appropriate form.

9. The Act and the Rules

The Account and this Account Agreement are subject to the Act and the Rules. Except as expressly provided in this Account Agreement, you, your Designated Beneficiary and the Board have the rights and obligations described in the Act and the Rules.

10. Reporting

The Manager will keep records of all transactions concerning your Account and will provide statements of your Account no less frequently than quarterly. The Manager will cause reports of your Account to be sent to you, the IRS, and such other regulatory authorities as required by law. If you do not write to the Manager to object to any item in a statement or report within 30 days after it has been sent to you, you will be considered to have approved it and to have released the Board and the Manager from all responsibility for matters covered by that statement or report. You agree to provide all information the Board or the Manager may need to comply with any legal reporting requirements. **You will continue to be responsible for filing your federal and state tax returns and any other reports that you are required by law to file. With respect to your federal and state tax returns, you are required to determine the proper application of any tax exclusions, tax credits, tax deductions, and additional tax penalties in connection with any Distribution, and to properly substantiate any Qualified Higher Education Expenses and the reason for the Distribution to the extent required on such federal and state tax returns.**

11. Duties of the Board and the Manager

Neither the Board, the Manager, nor their representatives has a duty to perform any action other than those described in this Account Agreement, the Program Disclosure Statement, and the current Supplement to the Program Disclosure Statement. The Board and the Manager may accept and rely conclusively on any instructions or other communications reasonably believed to have been given by you or another authorized person and may assume that the authority of any other authorized person continues in effect until they receive written notice to the contrary. The Board and the Manager have no duty to determine or advise you of the investment, tax, or other consequences of your actions, or of its actions in following your directions, or of its failing to act in the absence of your directions.

12. Change in Manager

The Board may appoint a new Manager in the future. In such event, your assets may: (a) continue to be managed by the prior Manager, (b) be managed in part by the prior Manager and in part by the new Manager, such that assets in your Account before the change in Manager, and earnings on such assets, are managed by the prior Manager, and assets contributed after the change, and earnings on such assets, are managed by the new Manager, or (c) be managed entirely by the new Manager.

13. Effectiveness of this Account Agreement

This Account Agreement shall become effective and an Account shall be established upon the Manager's receipt on behalf of the Board of: (a) a properly completed Enrollment Form (subject to the Board's or the Manager's right to reject such form if such form has not been fully and properly completed), and (b)(i) an initial Contribution to the Account, or (ii) an authorization for the use of an Automatic Investment Plan or an Automatic Payroll Deduction Plan (for eligible Account Owners as set forth in the Program Disclosure Statement). This Account Agreement also shall become effective and an Account shall be established upon the Manager's receipt on behalf of the Board of: (a)(i) a properly completed Change of Investment Selections Form (subject to the Board's or the Manager's right to reject such form if such form has not been fully and properly completed), and (ii) the proceeds of an Investment Selection Change, or (b)(i) a properly completed Change of Designated Beneficiary Form (subject to the Board's or the Manager's right to reject such form if such form has not been fully and properly completed), and (ii) the proceeds from a change of Designated Beneficiary, whether or not new investment selections have been made for the new Designated Beneficiary.

14. Amendment and Dissolution

- (a) The Board may, at any time and from time to time, amend the Program and any related document, including, but not limited to, the Rules, this Account Agreement, the Program Disclosure Statement and the current Supplement to the Program Disclosure Statement, for any reason, including, but not limited to, any amendment required for the Program to (i) qualify for the tax treatment set forth in Section 529 of the Code, or (ii) obtain or maintain any exemptions from registration or qualification under applicable federal or state securities laws, which amendment may be retroactive if deemed necessary by the Board to comply with applicable law. The Board shall give written notice to you of any amendment to the Program or any related document that affects your rights and responsibilities with respect to the Program.
- (b) The legislature of the State may suspend or dissolve the Program. In the event of a dissolution of the Program, any balances that remain in the Program Trust Fund or the Administrative Fund will be returned to Account Owners on a pro rata basis in accordance with this Account Agreement after all related costs and liabilities have been paid. Nothing contained in this Account Agreement or the Program Disclosure Statement shall constitute an agreement or representation by any of the State, the Board or the Treasurer, on their behalf or on behalf of the Manager, any contracting party, or any affiliate of a contracting party, that they will continue to operate or maintain the Program indefinitely. A suspension or dissolution of the Program may result in a Distribution from your Account that may be subject to income taxes and additional tax penalties.

15. Successors and Assigns

This Account Agreement, as amended and supplemented from time to time, shall be binding with respect to each Account established by you pursuant to your submission to the Manager of: (a) a properly completed Enrollment Form, (b) a properly completed Change of Investment Selections Form, and (c) a properly completed Change of Designated Beneficiary Form. This Account Agreement, as amended and supplemented from time to time, shall also be binding upon the applicable parties and their respective heirs, successors (including successor Account Owners), and permitted assigns and any Designated Beneficiary (including substitute Designated Beneficiaries) of the Account. You agree that this Account Agreement is made for your benefit and for the benefit of each of the Board, the Manager, Van Kampen Funds, and the Independent Distributor; that each of the Manager, Van Kampen Funds, and the Independent Distributor (the latter only with respect to the Account Owner and the Designated Beneficiary) is a third party beneficiary of this Account Agreement; and that your representations and obligations under this Account Agreement shall be enforceable by the Board, the Manager, Van Kampen Funds, and the Independent Distributor.

16. Communications

For purposes of this Account Agreement, communications will be sent to you at the permanent address that you specify on the Enrollment Form or at such other permanent address that you give to the Manager in accordance with the Program Disclosure Statement. All communications so sent will be considered to have been given to you personally upon such sending, whether or not you actually receive them. The Manager may, to the extent permitted by the Services Agreement, direct mailings to you or your Designated Beneficiary offering other products or services provided by the Manager.

17. Limitation of Liability; Indemnification

- (a) **Indemnification.** (i) You recognize that the establishment of an Account will be based upon your acknowledgments, statements, agreements, representations, warranties, and covenants as set forth in this Account Agreement and the Enrollment Form. You agree to indemnify and hold harmless the Program, the Program Trust Fund, the Board, the Treasurer, the State, the Manager, Van Kampen Investment Advisory, Van Kampen Funds, Van Kampen Investor Services, BFDS, State Street, and any affiliates, directors, officers, employees, agents and other representatives of the foregoing, for any liabilities or expenses (including costs of reasonable attorneys' fees) they each may incur as the result of any misstatement or misrepresentation made by you or the Designated Beneficiary, or any breach by you or the Designated Beneficiary of the acknowledgments, statements, agreements, representations or warranties or covenants contained in this Account Agreement, other than those arising out of the Board's failure to perform its duties specified in this Account Agreement, or the Board's or the Manager's failure to perform their respective duties specified in the Program Disclosure Statement. All of your statements, representations, warranties, covenants and agreements shall survive the termination of this Account Agreement. For purposes of this Section 17, the Manager, Van Kampen Investment Advisory, Van Kampen Funds, Van Kampen Investor Services, BFDS, State Street, and any affiliates, directors, officers, employees, agents and other representatives of the foregoing, shall be referred to individually as an "Indemnitee" and collectively as the "Indemnitees," as the context requires.
- (ii) If you have selected the automated transaction privilege in accordance with the applicable provisions set forth in the Program Disclosure Statement, you agree to indemnify and hold harmless the Program, the Program Trust Fund, the Board, the Treasurer, the State, and each Indemnitee against any claim, loss, expense, or damage, including reasonable attorneys' fees, in connection with any automated transaction effected with respect to your Account in accordance with the provisions set forth in this Section 17(a)(ii). Each Indemnitee is authorized to act upon instructions received by Internet or telephone from any party that can provide your personal identification number and tax identification number, in the case of transactions performed via the Internet or telephone, or in the case of automated transactions performed by other means, your social security (or tax identification) number and any three of the following: (1) your Account number, (2) your Account registration, (3) your address of record, and/or (4) your broker/dealer information. You understand that the automated transaction privilege may be modified at any time. You also understand that all of the privileges and features selected by you in accordance with the applicable provisions of the Program Disclosure Statement, including the automated transaction privilege, are subject to the conditions set forth in the Program Disclosure Statement.
- (b) **Extraordinary Events.** The State, the Board, the Treasurer and each Indemnitee shall not be liable for any loss caused directly or indirectly by any government restrictions, exchange or market rulings, suspension of trading, war, acts of terrorism, strikes, weather, changes in federal, state or local law (including tax or securities laws) or other conditions beyond their control.

18. Certain Lawsuits Involving your Account

Except for controversies arising between you or the Designated Beneficiary and the Board, the Manager, Van Kampen Funds, or the Independent Distributor (which are covered in Sections 19 and 20 of this Account Agreement), the Board, the Manager, Van Kampen Funds, or the Independent Distributor may apply to a court at any time for judicial settlement of any matter involving your Account. The Board represents that if the Board, the Manager, Van Kampen Funds, or the Independent Distributor so applies for such a judicial settlement, the Board will give you or the Designated Beneficiary the opportunity to participate in such a court proceeding, but each of them also can involve other persons. Any expense incurred by the Board, the Manager, Van Kampen Funds, or the Independent Distributor in legal proceedings involving your Account, including reasonable attorney's fees and expenses, are chargeable to your Account and payable by you or the Designated Beneficiary if not paid from your Account.

19. Disputes Involving the Board; Waiver of Jury Trial; and Consent to Exclusive Jurisdiction

You agree (on behalf of yourself and your Designated Beneficiary) that the courts located in Montgomery, Alabama, shall have exclusive jurisdiction over any legal proceedings between you (and/or the Designated Beneficiary) and the Board that arise out of or relate to this Account Agreement. In any such proceeding, you (on behalf of yourself and the Designated Beneficiary) agree to waive any right you may have to a trial by jury.

20. Arbitration of Disputes Involving the Manager and Other Parties

1. Arbitration is final and binding on the parties.
2. The parties are waiving the right to seek remedies in court, including their right to jury trial.
3. Pre-arbitration discovery is generally more limited than and different from court proceedings.
4. The arbitrators' award is not required to include factual findings or legal reasoning and any party's right to appeal or to seek modification of rulings by the arbitrators is strictly limited.
5. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.

You agree (on behalf of yourself and your Designated Beneficiary) that any controversy involving you (and/or the Designated Beneficiary) and the Manager, any affiliate of the Manager (including Van Kampen Funds), and/or an Independent Distributor (each, an "Arbitrating Party" for purposes of this Section 20), or any two or more of the foregoing, arising out of or relating to any transaction in your Account(s), or the construction, performance or breach of this Account Agreement, shall be determined by arbitration in compliance with the provisions set forth below. Your election with respect to an arbitration forum may be made by certified letter addressed to the Manager, any affiliate of the Manager and/or the Independent Distributor, but if you fail to make such election, then the Manager, any affiliate of the Manager, or the Independent Distributor (only if the Independent Distributor is the sole Arbitrating Party to the dispute) may make such election. For purposes of this Section 20, the terms "you" and "parties" include both the Account Owner and the Designated Beneficiary.

Any arbitration in which Van Kampen Funds and/or the Independent Distributor is an Arbitrating Party shall be conducted only before an arbitration facility provided by any exchange of which Van Kampen Funds (or the Independent Distributor, if applicable) is a member. Such arbitration shall be conducted in accordance with the arbitration rules of the exchange then in force. Any arbitration in which none of the Arbitrating Parties is a broker-dealer shall be conducted only before the American Arbitration Association, Inc. and in accordance with its arbitration rules then in force. Judgment upon the award of the arbitrators may be entered in any court, state or federal, having jurisdiction. For purposes of this Section 20, references to an "exchange" shall include the National Association of Securities Dealers, Inc.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any predispute arbitration agreement against any person who has initiated in court a putative class action; who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until:

- (i) the class certification is denied;
- (ii) the class is decertified; or
- (iii) the customer is excluded from the class by the court.

Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Account Agreement except to the extent stated herein.

21. Severability

If any provision of this Account Agreement is held to be invalid, illegal, void or unenforceable, by reason of any law, rule, or administrative order, or judicial decision, such determination will not affect the validity of the remaining provisions of this Account Agreement.

22. Headings

The heading of each provision of this Account Agreement and each subheading of this Account Agreement are for descriptive purposes only and shall not be deemed to modify or qualify any of the rights or obligations set forth in such provisions.

23. Governing Law

This Account Agreement shall be construed in accordance with and shall be governed by the laws of the State without regard to community property laws or choice of law rules of any state.

Your execution of the Enrollment Form shall constitute your execution of this Account Agreement with respect to: (a) each Account established by you pursuant to your submission of a properly completed Enrollment Form to the Manager and shall evidence your consent to be bound by its terms and conditions with respect to each such Account, (b) each Account established by you pursuant to your submission of a properly completed Change of Investment Selections Form to the Manager and shall evidence your consent to be bound by its terms and conditions with respect to each such Account, and (c) each Account established by you pursuant to your submission of a properly completed Change of Designated Beneficiary Form to the Manager and shall evidence your consent to be bound by its terms and conditions with respect to each such Account.

Van Kampen Privacy Notice

.....

The Van Kampen companies and investment products respect your right to privacy. We also know that you expect us to conduct and process your business in an accurate and efficient manner. To do so, we must collect and maintain certain nonpublic personal information about you. This is information we collect from you on applications or other forms, and from the transactions you make with us, our affiliates or third parties. We also may collect information you provide when using our Web site, and text files (also known as “cookies”) may be placed on your computer to help us recognize you and to facilitate transactions you initiate. We do not disclose any nonpublic personal information about you or any of our former customers or anyone, except as permitted by law. For instance, so that we may continue to offer you Van Kampen investment products and services that meet your investing needs, and to effect transactions that you request or authorize, we may disclose the information we collect to companies that perform services on our behalf, such as printers and mailers that assist us in the distribution of investor materials. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose. To protect your nonpublic personal information internally, we permit access to it only by authorized employees, and maintain physical, electronic and procedural safeguards to guard your nonpublic personal information. For purposes of this privacy policy, Van Kampen companies and investment products include Van Kampen Investments, Van Kampen, Van Kampen Funds, Van Kampen Investment Advisory, Van Kampen Investor Services, Van Kampen Advisors Inc., Van Kampen System Inc., and Van Kampen Exchange Corp., as well as the many Van Kampen mutual funds and Van Kampen unit investment trusts.